

COUNTY OF CALHOUN, MICHIGAN



Comprehensive Annual Financial Report

**For The Year Ended
December 31, 2005**

COUNTY OF CALHOUN, MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2005

Board of Commissioners:

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Katherine Segal, Vice-Chairperson

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Finance Department

County Administrator/Controller:

Greg Purcell

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Wendee Woods

COUNTY OF CALHOUN, MICHIGAN
For the Year Ended December 31, 2005

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INTRODUCTORY SECTION



Calhoun County

Office of the Administrator/Controller

"Building A Better County Through Responsive Leadership"

315 West Green Street
Marshall, MI 49068

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June 1, 2006

**To the Honorable Chairman, Members of the Board of Commissioners
and the Citizens of the County of Calhoun, Michigan:**

The comprehensive annual financial report of the County of Calhoun, Michigan (the "County") for the year ended December 31, 2005, is hereby submitted in accordance with Michigan Act 2 of the Public Acts of 1968, as amended. This Act requires that the County issue an annual report on its financial position and activity, and that this report be audited by an independent firm of certified public accountants.

This report consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, our framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As Management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County's financial statements have been audited by Rehmann Robson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended December 31, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statements presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended December 31, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The auditors' report related specifically to the single audit is not included in this document, but is issued under separate cover.

This report is presented in three sections: Introductory, Financial, and Statistical.

The Introductory Section includes this letter of transmittal, a copy of the "Certificate of Achievement for Excellence in Financial Reporting" presented to the County for the Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2004, and the County's organizational chart.

The Financial Section begins with the Independent Auditors' Report on the basic financial statements and schedules for the fiscal year ended December 31, 2005. Management's Discussion and Analysis (MD&A) follows and is designed to complement this letter of transmittal and accordingly, should be read in conjunction with it. The MD&A is a requirement of Generally Accepted Accounting Principles, which require management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements. The basic financial statements follow the MD&A and are comprised of government-wide financial statements, fund financial statements and the essential notes to the basic financial statements. Detailed financial information on fund types, and discretely presented component units are listed at the beginning of sub-sections within the Financial Section.

The Statistical Section includes unaudited financial and demographic information. It is presented on a multi-year basis where available.

PROFILE OF CALHOUN COUNTY GOVERNMENT

Calhoun County was incorporated on October 29, 1829. It covers an area of approximately 710 square miles. The County Seat is located in the City of Marshall, mid-way between Chicago and Detroit near the junction of two major interstate highways - I-94 (east-west) and I-69 (north-south). The City of Battle Creek is the largest metropolitan area in the County. The population of the County per the 2004 U.S. Census estimate is 139,067.

The County is governed by a seven-member elected Board of Commissioners. Members of the Board of Commissioners are elected on a partisan basis for two-year terms from within their respective districts that are approximately equal in population. The Board elects from its ranks a Chairperson and a Vice Chairperson by majority vote. The administration of the County, other than as delegated to elected officials, is guided by the County Administrator/Controller who is appointed by a two-thirds vote of the Board of Commissioners and serves at its pleasure. The Board is responsible for determining the type and level of County services, adoption of the County Budget, equalization of County property values, legislative oversight of County services and the appointment of various boards, commissions and County officials. In turn, the County Administrator/Controller is responsible for carrying out the Board's policies and resolutions, and managing the day-to-day operations of the County.

Judges of the 37th Judicial Circuit and the Probate Court and the 10th District Court are elected at large for six-year terms. Operation of the court system is under the auspices of the Michigan Supreme Court and the respective presiding Judges, while the County government primarily provides financial support.

Administration of the County is divided by the Michigan Constitution among various statutory County officials, including the County Treasurer, County Clerk/Register of Deeds, Prosecuting Attorney, Drain Commissioner and Sheriff, who are elected at-large for four-year terms. The County Treasurer is the custodian of all funds, administers the collection of delinquent property taxes, and performs other duties concerned with the interrelated fiscal affairs of County departments and agencies. The duties of the County Clerk include keeping and maintaining records of births, deaths, marriages and discharges of military personnel, and serving as Clerk of the Board of Commissioners. The duties of the Register of

Deeds include the recording of deeds, mortgages, surveys, plats, notices of liens and bills of sales. The Prosecuting Attorney prosecutes violations of State criminal law within the County and may represent the County in appropriate Courts. The County Drain Commissioner administers the location, construction and maintenance of drains in the County. The Sheriff's duties involve the charge and custody of the County Jail, the serving of processes and primary law enforcement response in areas of the County without local police functions.

In addition, the Board of Commissioners appoints several County officials, including the Administrator/Controller, Health Officer, Medical Examiner and the Equalization Director with responsibilities as defined by statute, County ordinance or resolution. The Administrator/Controller's responsibilities include direction of central administrative functions of the County government and acting as a liaison on behalf of the Board of Commissioners between County offices, appointed officials and the general public. The Health Officer directs the operation of the County Health Department in accordance with Board of Commissioner's directions and as authorized by State law. The Medical Examiner serves as the Medical Director of the Health Department as well as performing the statutory duties of Medical Examiner. The Equalization Director oversees the equalization process of the County as prescribed by law.

The Board of Commissioners also appoints various boards and commissions to oversee specific County services and to advise the Board on certain matters of interest. Appointments to boards overseeing specific County functions include the Board of County Road Commissioners, the Board of Public Works, the Board of Parks Trustees, the Board of Health, Senior Millage Allocation Committee, Summit Pointe Board of Directors, and Veterans Affairs Committee. The Board also appoints members to various advisory committees and to regional bodies overseeing other programs providing services to the residents of the County.

The business of the County is carried out on a daily basis by over 600 employees located on several different campuses throughout the County. The primary locations are Marshall, the County seat, Battle Creek and Albion.

This report includes all funds of the County and its component units. The County provides a full range of services to County residents. Services are provided in the areas of public safety (law enforcement, jail administration and planning/development), judicial (administration of the courts and probation departments), elections, public works, health services, social services, cultural (MSU cooperative extension services), road repair and maintenance services, parks and recreation, and general administrative services. In any one day, hundreds of people access County services:

- They may be utilizing one of the many public health, sanitation or disease control services provided by the Health Department, the support services of County Veteran Affairs, or the residential services of the Medical Care Facility. They may be utilizing one of the many other human service programs supported by County funds in the area of mental health, substance abuse, aging, special transportation, or youth violence prevention.
- They may be utilizing the services of the County Prosecutor, the Sheriff, or the Courts.
- They may be obtaining birth, death, tax or property information from the Offices of the County Clerk, Register of Deeds or the Treasurer; participating in elections; or getting assistance in drainage-related problems from the Drain Commissioner.
- They may be attending educational events sponsored by MSU Cooperative Extension or enjoying one of the County Parks.

The annual budget serves as the foundation for the County's financial planning and control. The County maintains real-time budgetary controls using an integrated financial management software package. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the County Board of Commissioners. Activities of the general and special revenue funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amounts) is established by defined cost categories (business units) within an activity or individual fund. Budgetary transfers are permitted in accordance with Board-adopted budget policies. Transfers of appropriations less than or equal to \$20,000 within, or between, General Fund activities or Special Revenue functions may be approved by the County Administrator/Controller; transfers greater than \$20,000 require the approval of the Board of Commissioners. As demonstrated by the statements and schedules included in the financial section of this report, the government continues to meet its responsibility for sound financial management.

The County's strategic plan is intended to provide the foundation for budgetary decisions by establishing a vision, mission and long-range objectives. In addition to the strategic plan, the Board of Commissioners, at least annually, establish a set of priorities for the development of the budget. The intent of these is to remain consistent with the overall objectives in the strategic plan but yet develop specific priorities that reflect current issues.

Recently, the priorities identified by the Board of Commissioners include:

- Renovation and expansion of the Medical Care Facility in the amount of \$15 million.
- Renewal of the Senior Millage by the voters in order to continue to provide critical services to the senior population in Calhoun County.
- Focus on improving efficiencies throughout County government to bring expenditures in alignment with a relatively flat revenue stream.
- Continued attention to the various components of the adult criminal justice system, as monitored by the Criminal Justice System Workshop, and to strive to increase the daily rental rate for jail beds utilized by the Federal government.

- With technology playing an ever increasing role in how citizens, visitors, businesses, and employees conduct business with the County, a commitment to maintaining and upgrading the technological infrastructure of the County.
- Continue with Juvenile Home capital improvements long deferred in anticipation of the construction of a new facility, which was not approved by the voters, and a commitment to maintaining and enhancing the juvenile justice system.
- Through the leadership of the Board, maintain and enhance employee relations.
- Improving the purchasing system to be more user friendly and to encourage the utilization of local and minority vendors.
- Installation of a new security system at the jail.
- Purchase and installation of a new financial management software system.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates.

Local Economy. Through a varied industrial, commercial and agricultural base, the County enjoys a relatively stable economic environment and indicators point to a continuation of this trend. The Fort Custer Industrial Park has become Michigan's largest industrial park. Located in the City of Battle Creek, the park, which is a customs free trade zone, encompasses 3,000 acres and contains 85 companies employing more than 9,000 people. The City of Battle Creek is host to the world headquarters of Kellogg Corporation and the cereal manufacturing industry. Also, Battle Creek is a U.S. Customs Port of Entry and contains a Foreign Trade Zone. A commercial shopping corridor in the Battle Creek/Emmett Township area serves a regional market. Automotive and plastic parts manufacturers, insurance companies, iron foundries, farms (approximately 1,200) and related agricultural businesses provide a variety of employment opportunities. A major U. S. Veterans Hospital in Battle Creek and community/regional hospitals in Albion, Battle Creek and Marshall provide health care services as well as additional employment opportunities. Higher education is available to County residents and others at several public and private colleges located in Albion and Battle Creek, including Kellogg Community College (KCC), Albion College, Western Michigan University's Kendall Center and the newly established Miller College. Finally, in addition to established industrial parks in Albion, Battle Creek, Marshall, Tekonsha and Springfield, the County possesses three significant recreational parks that have nearby rail and interstate access: Kimball Pines Park, Historic Bridge Park at Riverside Park, and the Ott Preserve.

Manufacturing and service sector layoffs have pushed county unemployment to 6.4% in 2005 (down from 6.8% in 2004), after several years of levels that were consistent with the state and nation. Manufacturing, trade, government, and services are key employment sectors, with leading employers including Denso Manufacturing Michigan Inc. (automobile parts, 2,400); Kellogg Company (headquarters, 1,750); U.S. Department of Defense, Logistics Service Center (Federal government, 1,600 employees); Battle Creek Health System (1,422 employees); and Battle Creek Public Schools (1,411 employees).

Previously, the Kellogg Company announced the move of 300 former Keebler employees to the Battle Creek area. The transition of the U.S. Snacks division will create jobs with an average wage of \$68,000 per year.

Based on the 2000 census, there were 58,691 housing units in the County. Of these units, 73% or 42,844 were owner occupied. Renter occupancy amounted to 14,624 units and, of these, 4,591 were vacant. The National Association of Home Builders has ranked the Battle Creek metropolitan area as having one of the most affordable markets in the nation.

Health care services in the County have been rated as being very cost effective and, in 1994, Oaklawn Hospital (Marshall) was judged to be one of the nation's top 100 hospitals based on a comprehensive study. In 2006, the County established a Hospital Authority to assist with financial matters and expansion for Oaklawn Hospital and issued bonds totaling \$8 million.

These favorable local trends are counterbalanced, in large measure, however, by other factors. First, the economic downturn has impacted our fiscal operations. Second is limited growth in property tax revenue. The increase in the assessed value of taxable property in the County has been constrained by the Headlee Amendment (which limits the annual increase in the State Equalized Value of real property) and the provisions of Proposal A (which limits increases in taxable property values to 5% or the rate of inflation, whichever is less). The dollar value of this limited increase essentially covers salary and fringe benefits increases, leaving very little for new investment. Furthermore, state cutbacks provide additional challenges in maintaining current services with even less support. Taken together, these fiscal factors create a trend toward ever-tightening budgets under which the County must operate.

Debt Administration. At December 31, 2005, the County's outstanding direct bonded debt was \$8.5 million, a net decrease of \$.6 million from the prior year-end. The outstanding balance of short-term general obligation tax notes increased by \$50 thousand from the prior year.

Cash Management. The County has been consistently conservative in the cash management area. It is the policy of the County Treasurer to invest first for safety and second to maximize the investment earnings. Because only a small portion of the County's portfolio can be covered by FDIC insurance, it is essential to continually evaluate the quality of the instruments purchased and the financial stability of the banks and other financial institutions where investments are placed. Types of investments vary throughout the year depending on the County's cash flow requirements and the condition of the financial markets. Typical investments included demand deposits, government investment pool mutual funds, certificates of deposit, bankers' acceptances and high quality commercial paper.

Risk Management. As permitted by State law, the County is self-insured (up to certain limits) for employee health care, workers' compensation and disability coverage. Employee health care and workers' compensation are subject to excess insurance coverage policies. Third-party administrators are used for the health care, disability for employee bargaining units not in the County self-insured plan and worker's compensation plans. Also, as part of its comprehensive risk management plan, the government participates in a risk management pool with certain other Michigan municipalities for liability coverage. As part of the County's comprehensive risk management plan, resources are accumulated in internal service funds and reserves are on deposit with the Michigan Municipal Risk Management Authority (MMRMA) to meet potential losses. MMRMA, which is a governmental risk pool, provides \$15 million in liability coverage on an occurrence basis with a \$150,000 self-insured retention per liability claim.

AWARDS AND ACKNOWLEDGMENTS

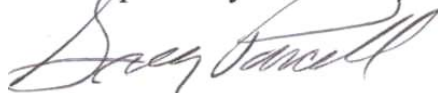
Certificate of Achievement. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Calhoun County, Michigan for its comprehensive annual financial report for the fiscal year ended December 31, 2004. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local governmental financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Calhoun County has received a Certificate of Achievement for the last nine consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments. The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance and Administration Departments. We would like to express our appreciation to members of those departments who assisted and contributed to the preparation of this report. Due credit also should be given to the Board of Commissioners for its interest and support in planning and conducting the operations of the government in a responsible and progressive manner.

Respectfully submitted,



Greg Purcell
Controller/Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Calhoun,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Fudge

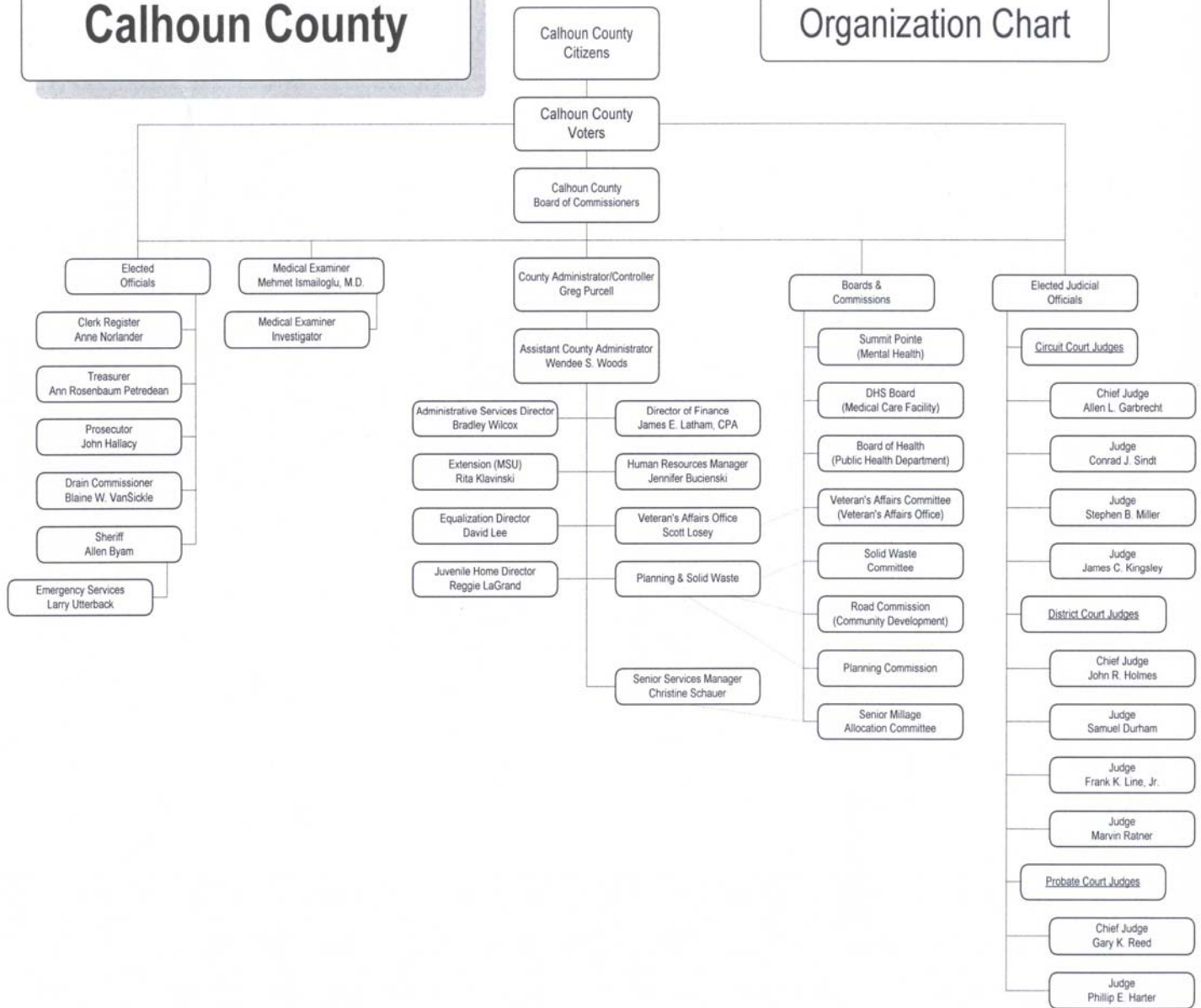
President

Jeffrey R. Emer

Executive Director

Calhoun County

Organization Chart



FINANCIAL SECTION



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



INDEPENDENT AUDITORS' REPORT

June 1, 2006

The Board of Commissioners
County of Calhoun, Michigan
Marshall, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **COUNTY OF CALHOUN, MICHIGAN**, as of and for the year ended December 31, 2005, which collectively comprise the basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Medical Care Facility and Delinquent Tax Revolving Funds, which are major funds, and therefore, separate opinion units. Those financial statements were audited by other auditors whose reports were furnished to us, and our opinion, insofar as it relates to the amounts included for the Medical Care Facility and Delinquent Tax Revolving Funds is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the reports of other auditors, provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Calhoun, Michigan, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparisons for the general fund and each major special revenue fund, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-14 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2006, on our consideration of the County of Calhoun, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, in a separately issued single audit report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements taken as a whole. The introductory section, combining and individual fund financial statements and schedules, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the County of Calhoun, Michigan. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion are fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

MANAGEMENT'S DISCUSSION and ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Calhoun, Michigan (the "County") we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i–vii of this report, and the accompanying basic financial statements.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$65.3 million (*net assets*). Of this amount, \$20.5 million (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors. Governmental activities contain \$2.5 million of the unrestricted net assets. The Medical Care Facility and the Delinquent Tax Revolving Fund contain most of the business-type unrestricted net assets.
- The County's total net assets increased by \$2.6 million during 2005.
- As of the close of the current fiscal year, the County's governmental funds (this includes the general fund, special revenue, permanent, and debt service funds) reported combined ending fund balances of \$11.83 million, an increase of \$2.08 million in comparison with the prior year. Of the fund balance amount, \$11.74 million is *available for spending* at the government's discretion (*unreserved fund balance*).
- The general fund had a deficit of \$328,968 for 2005. At the end of the year, unreserved fund balance for the general fund was \$1,952,034, or approximately 6.3 percent of total general fund expenditures. Total fund balance for the general fund was \$2,028,634.
- The County's net investment in capital assets decreased by \$3,720 during 2005.
- The County's total bonded debt, excluding delinquent tax notes, decreased by \$608,029 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements which contain three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, judicial, public works, health and welfare, and recreation and cultural. The business-type activities of the County include the Medical Care Facility that provides long-term skilled nursing care and the Delinquent Tax Revolving Fund.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also a legally separate Road Commission, a legally separate Board of Public Works, and a legally separate Drain Commission, for which the County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The Medical Care Facility, although also legally separate, functions for all practical purposes as a department of the County, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 15-17 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *government funds* with similar information presented for *government activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 30 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Health Department Fund, Senior Millage Fund, Revenue Sharing Reserve Fund and the Child Care Fund, which are considered to be major funds. Data from the other 25 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its General Fund and special revenue funds. A budgetary comparison statement has been provided for all applicable funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18-29 of this report.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses four enterprise funds to account for its business-type activities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its equipment purchases, building and grounds, administrative services, insurance, employee benefits, workers' compensation, and sick and accident expenses. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Medical Care Facility and the Delinquent Tax Revolving Fund, which are considered to be major funds of the County. Data from the other two enterprise funds are combined into a single aggregated presentation. Detailed financial information for each of the nonmajor enterprise funds is provided in the form of *combining statements* elsewhere in this report. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 30-33 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. The County's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. The accounting used for fiduciary funds is much like that used for proprietary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The basic fiduciary fund financial statements can be found on pages 34-35 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 38-73 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the County's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 74-132 of this report.

County-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$65.3 million at the close of the most recent fiscal year. The following schedule shows the County's assets by category.

THE COUNTY'S NET ASSETS

	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 26,320,244	\$ 29,386,997	\$ 27,211,347	\$ 26,102,836	\$ 53,531,591	\$ 55,489,833
Capital assets	<u>34,960,158</u>	<u>35,643,158</u>	<u>2,383,023</u>	<u>2,368,673</u>	<u>37,343,181</u>	<u>38,011,831</u>
Total assets	<u>61,280,402</u>	<u>65,030,155</u>	<u>29,594,370</u>	<u>28,471,509</u>	<u>90,874,772</u>	<u>93,501,664</u>
Long-term liabilities outstanding	10,294,345	10,936,528	500,000	450,000	10,794,345	11,386,528
Other liabilities	<u>12,569,757</u>	<u>17,458,541</u>	<u>2,226,886</u>	<u>2,106,447</u>	<u>14,796,643</u>	<u>19,564,988</u>
Total liabilities	<u>22,864,102</u>	<u>28,395,069</u>	<u>2,726,886</u>	<u>2,556,447</u>	<u>25,590,988</u>	<u>30,951,516</u>
Net assets:						
Invested in capital assets, net						
of related debt	26,169,587	26,187,657	2,383,023	2,368,673	28,552,610	28,556,330
Restricted	9,761,506	7,352,100	6,473,620	8,150,319	16,235,126	15,502,419
Unrestricted	<u>2,485,207</u>	<u>3,095,329</u>	<u>18,010,841</u>	<u>15,396,070</u>	<u>20,496,048</u>	<u>18,491,399</u>
Total net assets	<u>\$ 38,416,300</u>	<u>\$ 36,635,086</u>	<u>\$ 26,867,484</u>	<u>\$ 25,915,062</u>	<u>\$ 65,283,784</u>	<u>\$ 62,550,148</u>

By far, the largest portion of the County's net assets, \$28,552,610 (43.7%), is its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net assets \$16,235,126 (24.9%) represents resources that are subject to external restrictions on how they may be used. The County's unrestricted net assets are \$20,496,048 (31.4%). These assets may be used to meet the County's ongoing obligations to citizens and creditors.

At the end of the 2005 fiscal year, the County is able to report positive balances in all three net asset categories (invested in capital asset-net of related debt, restricted and unrestricted) both for the government as a whole, as well as for its separate governmental and business-type activities.

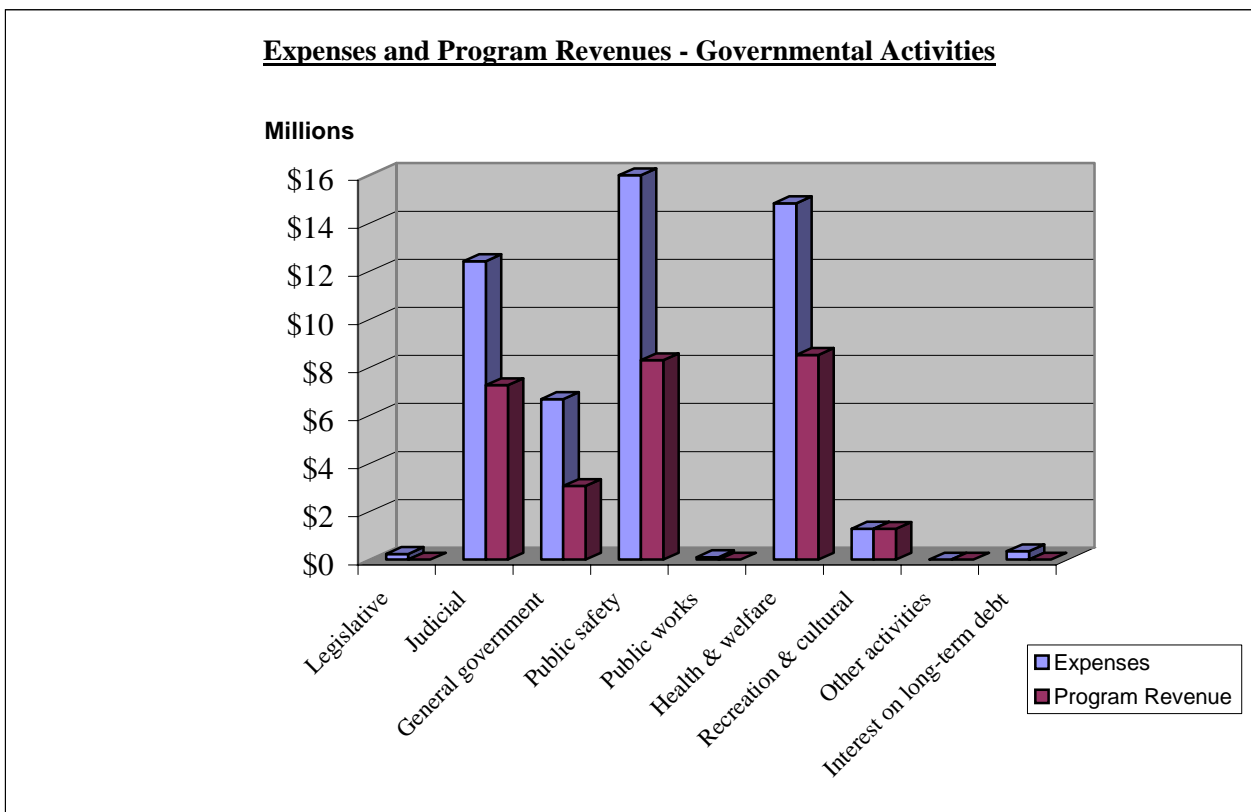
COUNTY'S CHANGES IN NET ASSETS

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenue:						
Program revenue:						
Charges for services	\$ 12,569,080	\$ 12,280,738	\$ 11,291,805	\$ 10,899,360	\$ 23,860,885	\$ 23,180,098
Operating grants and contributions	15,863,153	16,455,320	1,001,194	631,816	16,864,347	17,087,136
Capital grants and contributions	-	31,424	-	-	-	31,424
General revenues:						
Property taxes	24,740,374	25,299,765	880,423	786,221	25,620,797	26,085,986
Other	<u>918,872</u>	<u>686,521</u>	<u>-</u>	<u>-</u>	<u>918,872</u>	<u>686,521</u>
Total revenue	<u>54,091,479</u>	<u>54,753,768</u>	<u>13,173,422</u>	<u>12,317,397</u>	<u>67,264,901</u>	<u>67,071,165</u>
Expenses:						
Legislative	235,010	230,854	-	-	235,010	230,854
Judicial	12,423,746	11,569,900	-	-	12,423,746	11,569,900
General government	6,684,366	6,532,764	-	-	6,684,366	6,532,764
Public safety	18,481,346	17,320,180	-	-	18,481,346	17,320,180
Public works	105,166	81,496	-	-	105,166	81,496
Health and welfare	14,834,373	14,241,240	-	-	14,834,373	14,241,240
Recreation and cultural	1,286,701	1,285,261	-	-	1,286,701	1,285,261
Other governmental	2,174	211,442	-	-	2,174	211,442
Interest on long-term debt	349,726	416,704	-	-	349,726	416,704
Medical Care facility	-	-	9,183,020	9,163,132	9,183,020	9,163,132
Delinquent tax collections	-	-	299,849	238,944	299,849	238,944
Other business-type activities	<u>-</u>	<u>-</u>	<u>749,119</u>	<u>672,822</u>	<u>749,119</u>	<u>672,822</u>
Total expenses	<u>54,402,608</u>	<u>51,889,841</u>	<u>10,231,988</u>	<u>10,074,898</u>	<u>64,634,596</u>	<u>61,964,739</u>
Increase (decrease) in net assets before transfers	(311,129)	2,863,927	2,941,434	2,242,499	2,630,305	5,106,426
Transfers	<u>1,989,009</u>	<u>1,604,755</u>	<u>(1,989,009)</u>	<u>(1,604,755)</u>	<u>-</u>	<u>-</u>
Increase in net assets	1,677,880	4,468,682	952,425	637,744	2,630,305	5,106,426
Net assets - beginning, as restated	<u>36,738,420</u>	<u>32,166,404</u>	<u>25,915,059</u>	<u>25,277,318</u>	<u>62,653,479</u>	<u>57,443,722</u>
Net assets - end of year	<u>\$ 38,416,300</u>	<u>\$ 36,635,086</u>	<u>\$ 26,867,484</u>	<u>\$ 25,915,062</u>	<u>\$ 65,283,784</u>	<u>\$ 62,550,148</u>

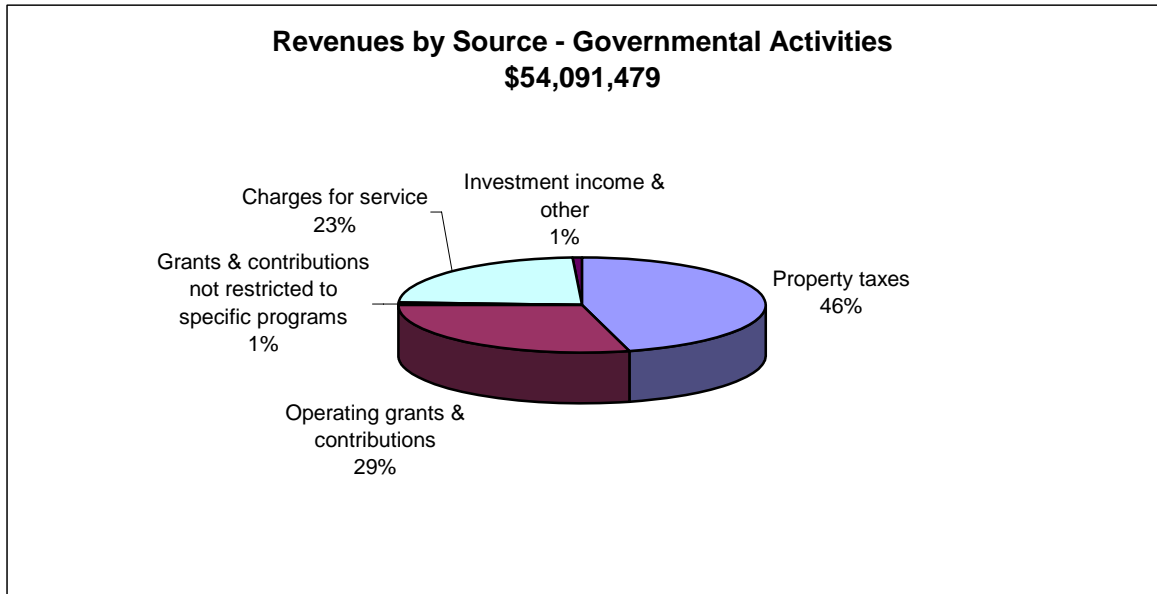
The County's net assets increased by \$2,630,305 during the current fiscal year; \$1,677,880 for governmental activities and \$952,425 for business-type activities.

Governmental activities. The increase in net assets of \$1,677,880 represents 63.8 percent of the total growth in the government's net assets for the current year. Key elements of this increase are as follows:

- Operating grants for governmental activities decreased by approximately \$592,000 (3.7%) due to reduced funding from State revenue sharing of over \$1.2 million, which was offset by increased funding of Health Department and Emergency Management grant operations totaling \$635,000.
- Property taxes decreased by approximately \$559,000 (2.2 %) because of the elimination of the tax levy relating to the Correctional Center debt. These bonds were paid off early thus reducing the debt service property taxes received by \$860,000. The remaining difference is the result of increased taxable values and residential growth.
- Charges for services increased approximately \$288,000 (2.3%) during the year due to significant increases in District Court ordinance fines and Public Safety service fees to townships received.
- Unrestricted investment earnings increased by \$232,000 (25.3%) accounting for the majority of the increase to other general revenues.

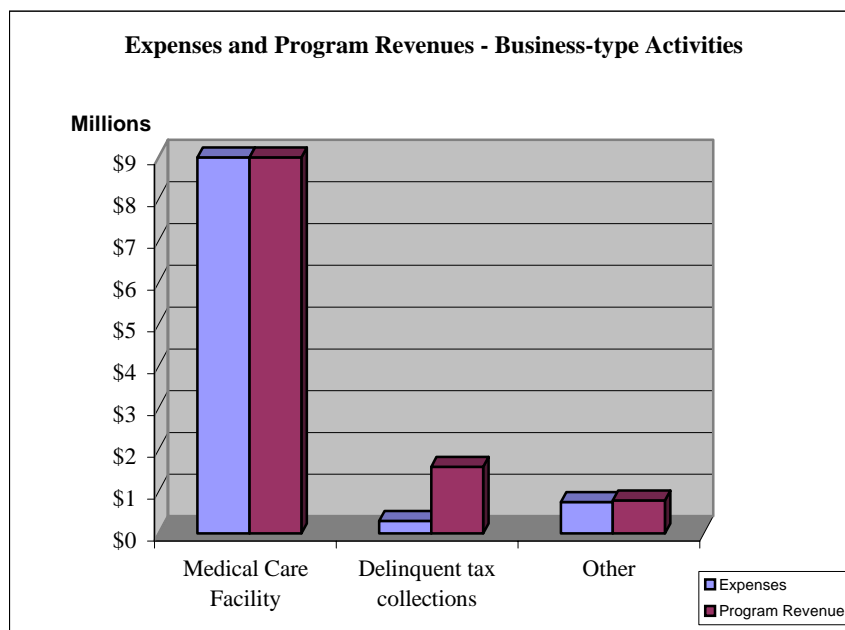


For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. 2005 expenditures are 4.8 percent greater than the prior year. The growth in expenses for operations include continuous rising fringe benefit costs, an issue that is outside the County's control and impacts all functions of the County.



Business-type activities. Business-type activities increased the County's net assets by \$952,425, accounting for 36.2 percent of the total growth in the government's net assets for the current year. The key element of the current year increase is as follows:

- The Medical Care Facility contributed \$1,052,830 to net assets.
- The Delinquent Tax Revolving Fund contributed \$1.68 million to net assets before transfers but after a \$1.6 million transfer to the General Fund, the remaining contribution totaled \$81,118. In prior years, a change in state law increased the interest rate charged on delinquent taxes from 1 percent per month to 1.5 percent per month. In addition, the County enjoyed favorable interest rates in borrowing to redeem delinquent taxes.



Financial Analysis of the County's Funds

As noted earlier, The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$11,826,422, an increase of \$2,078,965 in comparison with the prior year. Of the fund balance amount, \$11,744,510 constitutes *unreserved fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,952,034, while total fund balance was \$2,028,634. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 6.3 percent of total general fund expenditures.

The fund balance of the County's General Fund decreased by \$328,968 during the current fiscal year. This deficit occurred mainly due to rising fringe costs accompanied by a relatively flat revenue stream.

The Health Department showed an increase in activity during 2005 largely due to a rise in federal grant revenues received. Revenues increased by \$422,000 or 9.3 percent however expenses were higher by \$386,000 or 7.2 percent, which used the majority of the additional revenue stream.

The Senior Millage fund increased their fund balance by \$180,000 during 2005 primarily due to a growth in property taxes received. Total fund balance at the end of the year is \$759,886.

The Revenue Sharing Reserve fund has a total fund balance of \$6,858,341. Pursuant to Public Act 357 of 2004 required the County to establish a restricted fund and place one-third of the County's December 2004 property tax levy in the fund. Ultimately, after December 2006, a total of three annual payments will be placed in the fund to provide a funding mechanism to serve as a substitute for state revenue sharing.

The Child Care fund has no fund balance because the home-care expenditures (both inside and outside of the home) for children programs are fully funded by the state government, the federal government, and a County appropriation.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Delinquent Tax Revolving Fund at the end of the year amounted to \$10.4 million. The Medical Care Facility's unrestricted net assets were \$7.4 million. Other factors concerning the finances of the delinquent tax fund have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

Revenues in the general fund (including transfers in) only increased \$42,433 from the original to the final budget. This was primarily attributable to increased revenues for District Court fines and costs (\$269,000), transfers in from Internal Service Funds (\$137,000), and interest on investments (\$41,000) offset by decreased revenues in Court fees and Sheriff service fees (\$465,000).

Budgeted expenditures in the general fund (including transfers out) only increased \$36,433 from the original to final budget. This is mainly comprised of additional overtime in the Sheriff's Office (\$261,000) and increased Insurance costs (\$158,000) offset by decreases to transfers to cover Child Care Fund and Friend of the Court expenses (\$314,000).

Overall during the year, both general fund revenues and expenditures were less than the final budget.

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its governmental activities as of December 31, 2005, amounted to \$34,960,158 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment. The total decrease in the County's investment in capital assets for the current fiscal year was \$683,000. The County's business-type activities include \$2,383,023 (net of accumulated depreciation).

Major capital asset acquisitions include renovations to County buildings, vehicles and information technology upgrades.

THE COUNTY'S CAPITAL ASSETS
(Net of depreciation)

	Governmental activities	Business-type activities	Total
Land	\$ 1,266,264	\$ -	\$ 1,266,264
Buildings and improvements	31,256,712	2,166,416	33,423,128
Equipment and furniture	2,000,326	216,607	2,216,933
Vehicles	436,856	-	436,856
	<u><u>\$34,960,158</u></u>	<u><u>\$2,383,023</u></u>	<u><u>\$37,343,181</u></u>

Additional information on the County's capital assets can be found in note III.D. on pages 53-55 of this report.

Long-term debt. At the end of the current fiscal year, the County had total bonded debt outstanding of \$8,981,241. This entire amount comprises debt backed by the full faith and credit of the County.

THE COUNTY'S OUTSTANDING DEBT
General Obligation

	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$ 8,481,241	\$ 9,089,270	\$ -	\$ -	\$ 8,481,241	\$ 9,089,270
Delinquent tax notes	-	-	500,000	450,000	500,000	450,000
	<u><u>\$ 8,481,241</u></u>	<u><u>\$ 9,089,270</u></u>	<u><u>\$ 500,000</u></u>	<u><u>\$ 450,000</u></u>	<u><u>\$ 8,981,241</u></u>	<u><u>\$ 9,539,270</u></u>

The County's total bonded debt decreased by \$558,029 during the current fiscal year. The County retired debt of \$608,029 in general obligation bonds but increased delinquent tax notes by \$50,000 during 2005.

The County has an "A" rating for both general obligation bonds and tax anticipation notes from Standard & Poor's.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation (i.e., State Equalized Value). The current debt limitation for the County is \$395,397,056, which is significantly in excess of the County's outstanding general obligation debt.

Additional information on the County's long-term debt can be found in note III.H. on pages 58-62 of this report.

Economic Factors and Next Year's Budgets

In order to maintain financial stability over the long term, the budgeting practice in the County is to not only adopt a balanced budget as required by law, but to manage its budget in a manner such that actual expenses do not exceed actual revenues on an annual basis. Over the past 10 years, revenues have exceeded expenses 6 times and expenses have exceeded revenues 4 times. Over the 10-year period, the General Fund – fund balance has increased by only \$27,500, alerting the County Board to the possibility of difficult times ahead. It has permitted the County to utilize its annual budget process as the primary vehicle to make decisions on the type and level of County services to be provided. When unexpected revenue losses or expenditure increases occur during the year, they are generally addressed through short-term expenditure reductions such as reductions to controllable expenses, hiring delays, and deferrals of capital expenditures.

The following factors were considered in preparing the County's budget for the 2006 fiscal year:

- The economic downturn, stock market decline and flat housing sales have impacted fiscal operations. The rate of increase in taxable value of real and personal property in the County is increasing by 3 to 4 percent per year, whereas historically this rate has been as high as 6 to 8 percent. We anticipate that this trend will continue into the foreseeable future.
- Interest rates had been at a fairly low level over the past few years. Even though the rates have increased, the 2006 budget assumes no increase in interest earnings over the levels attained in 2005.
- Insurance premiums, especially for governmental entities, have dramatically increased due to the extensive settlement payments related to September 11th and the subsequent stock market performance. The County anticipates increases of close to 16 percent in liability costs for the year. A related increase is a national trend in escalating healthcare insurance costs. Many national projections point to a doubling of health care costs over the next four to five years. The County anticipates an increase of over 10 percent.
- Under the Michigan Constitution, property tax growth for each parcel of property is limited to the rate of inflation or a maximum allowable increase in taxable value of 5.0%, whichever is smaller until a property changes ownership. For the 2006 budget, the applicable inflation rate is 2.3%. Property tax revenues are budgeted to increase mainly due to new construction being added to the tax rolls as well as transfers of ownership.
- The State of Michigan has been dealing with projected budgetary shortfalls for the past several years, which are projected to continue into the future. The State has passed legislation that provides a funding mechanism to serve as a substitute for state revenue sharing payments. Annually, the County may make use of amounts equal to the 2003-04 State revenue sharing payments adjusted for inflation.
- The County has committed to maintaining a general fund balance that is at least 8.0% of operating expenditures.
- Inflationary trends in the region compare favorably to national indices.

Contacting the County's Financial Management

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The County Finance Department, 315 West Green Street, Marshall, Michigan 49068.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

COUNTY OF CALHOUN, MICHIGAN

Statement of Net Assets

December 31, 2005

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 7,342,261	\$ 11,939,333	\$ 19,281,594	\$ 2,327,593
Investments	36,719	7,505,897	7,542,616	-
Receivables, net	18,815,020	7,684,321	26,499,341	17,632,165
Internal balances	54,998	(54,998)	-	-
Prepaid items and other assets	71,246	136,794	208,040	780,580
Capital assets not being depreciated	1,266,264	-	1,266,264	22,128,121
Capital assets being depreciated, net	33,693,894	2,383,023	36,076,917	23,744,127
 Total assets	 61,280,402	 29,594,370	 90,874,772	 66,612,586
Liabilities				
Accounts payable and accrued expenses	4,174,474	1,464,988	5,639,462	2,439,059
Unearned revenue	8,395,283	761,898	9,157,181	79,141
Long-term liabilities:				
Due within one year	2,213,190	500,000	2,713,190	2,187,056
Due in more than one year	8,081,155	-	8,081,155	16,848,529
 Total liabilities	 22,864,102	 2,726,886	 25,590,988	 21,553,785
Net assets				
Invested in capital assets, net of related debt	26,169,587	2,383,023	28,552,610	40,671,663
Restricted for:				
Debt service	46,510	-	46,510	-
State revenue sharing	6,858,341	-	6,858,341	-
Programs	2,856,655	6,473,620	9,330,275	-
Unrestricted	2,485,207	18,010,841	20,496,048	4,387,138
 Total net assets	 \$ 38,416,300	 \$ 26,867,484	 \$ 65,283,784	 \$ 45,058,801

The accompanying notes are an integral part of these financial statements.

COUNTY OF CALHOUN, MICHIGAN

Statement of Activities

For the Year Ended December 31, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
Legislative	\$ 235,010	\$ 60	\$ -	\$ -	\$ (234,950)
Judicial	12,423,746	4,093,128	3,170,160	-	(5,160,458)
General government	6,684,366	1,628,439	1,438,573	-	(3,617,354)
Public safety	18,481,346	5,594,938	2,705,545	-	(10,180,863)
Public works	105,166	-	-	-	(105,166)
Health and welfare	14,834,373	812,865	7,703,749	-	(6,317,759)
Recreation and cultural	1,286,701	439,650	843,511	-	(3,540)
Other governmental activities	2,174	-	1,243	-	(931)
Interest on long-term debt	349,726	-	372	-	(349,354)
Total governmental activities	<u>54,402,608</u>	<u>12,569,080</u>	<u>15,863,153</u>	<u>-</u>	<u>(25,970,375)</u>
Business-type activities:					
Medical Care Facility	9,183,020	8,906,789	616,971	-	340,740
Delinquent tax collections/forfeitures	299,849	1,596,744	384,223	-	1,681,118
Other business-type activities	749,119	788,272	-	-	39,153
Total business-type activities	<u>10,231,988</u>	<u>11,291,805</u>	<u>1,001,194</u>	<u>-</u>	<u>2,061,011</u>
 Total primary government	 <u>\$ 64,634,596</u>	 <u>\$ 23,860,885</u>	 <u>\$ 16,864,347</u>	 <u>\$ -</u>	 <u>\$ (23,909,364)</u>
Component units					
County Drains	\$ 332,919	\$ -	\$ 32,002	\$ 143,671	\$ (157,246)
County Roads	12,819,823	2,999,666	9,258,495	818,931	257,269
Board of Public Works	<u>1,411,059</u>	<u>10,057</u>	<u>1,308,133</u>	<u>-</u>	<u>(92,869)</u>
 Total component units	 <u>\$ 14,563,801</u>	 <u>\$ 3,009,723</u>	 <u>\$ 10,598,630</u>	 <u>\$ 962,602</u>	 <u>\$ 7,154</u>

continued...

COUNTY OF CALHOUN, MICHIGAN
Statement of Activities (Concluded)
For the Year Ended December 31, 2005

Functions/Programs	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net assets				
Net (expense) revenue	\$ (25,970,375)	\$ 2,061,011	\$ (23,909,364)	\$ 7,154
General revenues:				
Property taxes	24,740,374	880,423	25,620,797	-
Grants and contributions not restricted to specific programs	469,410	-	469,410	-
Unrestricted investment earnings	400,343	-	400,343	37,172
Gain on sale of capital assets	49,119	-	49,119	-
Transfers - internal activities	1,989,009	(1,989,009)	-	-
Total general revenues and transfers	27,648,255	(1,108,586)	26,539,669	37,172
Change in net assets	1,677,880	952,425	2,630,305	44,326
Net assets, beginning of year, as restated	36,738,420	25,915,059	62,653,479	45,014,475
Net assets, end of year	<u>\$ 38,416,300</u>	<u>\$ 26,867,484</u>	<u>\$ 65,283,784</u>	<u>\$ 45,058,801</u>

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

COUNTY OF CALHOUN, MICHIGAN

**Balance Sheet
Governmental Funds
December 31, 2005**

	General Fund	Health Department	Senior Millage	Revenue Sharing Reserve	Child Care	Other Governmental Funds	Total
<u>ASSETS</u>							
Assets							
Cash and cash equivalents	\$ -	\$ 170,854	\$ 1,321,935	\$ 1,476,956	\$ -	\$ 1,876,698	\$ 4,846,443
Investments	-	-	-	-	-	36,719	36,719
Receivables:							
Accounts	347,977	436,177	-	-	-	132,674	916,828
Current taxes	5,217,117	-	2,284,244	5,362,209	-	9,995	12,873,565
Delinquent taxes	274,806	-	51,626	-	-	23,779	350,211
Accrued interest	245	-	-	2,970	-	3,105	6,320
Due from other governments	2,594,935	134,480	-	-	542,152	1,309,720	4,581,287
Due from other funds	2,720	-	-	-	-	118,480	121,200
Interfund receivable	1,070,613	-	-	16,206	-	-	1,086,819
Advances to component units	76,600	-	-	-	-	-	76,600
Prepaid items	-	-	-	-	-	5,312	5,312
<u>TOTAL ASSETS</u>	\$ 9,585,013	\$ 741,511	\$ 3,657,805	\$ 6,858,341	\$ 542,152	\$ 3,516,482	\$ 24,901,304
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities							
Accounts payable	\$ 593,878	\$ 263,760	\$ 388,767	\$ -	\$ 212,580	\$ 507,573	\$ 1,966,558
Accrued payroll	372,308	12,777	2,079	-	42,036	76,753	505,953
Due to other governments	299,916	83,052	-	-	-	65,000	447,968
Due to other funds	-	-	-	-	-	4,533	4,533
Interfund payables	-	-	-	-	286,154	800,665	1,086,819
Deferred revenue	6,290,277	134,640	2,507,073	-	1,382	129,679	9,063,051
Total liabilities	7,556,379	494,229	2,897,919	-	542,152	1,584,203	13,074,882
Fund balances							
Reserved for advances and prepaid items	76,600	-	-	-	-	5,312	81,912
Unreserved:							
Designated for future years expenditures	343,200	-	-	-	-	-	343,200
Undesignated	1,608,834	247,282	759,886	6,858,341	-	-	9,474,343
Undesignated, reported in nonmajor:							
Special revenue funds	-	-	-	-	-	1,758,731	1,758,731
Debt service funds	-	-	-	-	-	129,783	129,783
Permanent funds	-	-	-	-	-	38,453	38,453
Total fund balances	2,028,634	247,282	759,886	6,858,341	-	1,932,279	11,826,422
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	\$ 9,585,013	\$ 741,511	\$ 3,657,805	\$ 6,858,341	\$ 542,152	\$ 3,516,482	\$ 24,901,304

The accompanying notes are an integral part of these financial statements.

COUNTY OF CALHOUN, MICHIGAN
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets
of Governmental Activities on the Statement of Net Assets
December 31, 2005

Fund balances - total governmental funds	\$ 11,826,422
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.

Add: capital assets not being depreciated	1,266,264
Add: capital assets being depreciated	55,586,157
Subtract: accumulated depreciation	(24,310,608)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred property taxes	667,768
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Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.

Add: net assets of governmental activities accounted for in internal service funds	3,487,284
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Certain liabilities, such as bonds and capital leases payable, are not due and payable in the current period, and therefore are not reported in the funds.

Subtract: bonds and capital leases payable, long-term portion	(7,853,124)
Subtract: bonds and capital leases payable, current portion	(666,816)
Subtract: compensated absences	(1,503,774)
Subtract: accrued interest on long-term liabilities	(83,273)

Net assets of governmental activities	<u><u>\$ 38,416,300</u></u>
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The accompanying notes are an integral part of these financial statements.

COUNTY OF CALHOUN, MICHIGAN
Statement of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General Fund	Health Department	Senior Millage	Revenue Sharing Reserve	Child Care	Other Governmental Funds	Total
Revenue							
Taxes and special assessments	\$ 15,933,547	\$ 330,537	\$ 2,428,814	\$ 5,148,900	\$ -	\$ 892,671	\$ 24,734,469
Licenses and permits	93,439	4,239,066	-	-	-	14,980	4,347,485
Intergovernmental	3,009,127	253,014	-	-	2,461,004	5,063,975	10,787,120
Charges for services	9,876,911	-	-	-	157,765	643,245	10,677,921
Fines and forfeitures	1,117,372	-	-	-	-	32,266	1,149,638
Interest and rents	316,649	112,117	53,766	83,360	-	31,065	596,957
Other	966,515	-	5,343	-	-	832,865	1,804,723
Total revenue	31,313,560	4,934,734	2,487,923	5,232,260	2,618,769	7,511,067	54,098,313
Expenditures							
Current:							
Legislative	185,610	-	-	-	-	-	185,610
Judicial	8,156,960	-	-	-	-	3,414,635	11,571,595
General government	6,161,596	-	-	-	-	-	6,161,596
Public safety	12,926,533	-	-	-	-	3,202,989	16,129,522
Public works	105,166	-	-	-	-	-	105,166
Health and welfare	909,717	5,589,418	2,306,395	-	5,354,383	655,873	14,815,786
Recreation and cultural	-	-	-	-	-	1,200,254	1,200,254
Other	2,385,234	-	-	-	-	5,471	2,390,705
Debt service:							
Principal	-	16,013	-	-	-	608,029	624,042
Interest and fiscal charges	-	2,147	-	-	-	354,680	356,827
Capital outlay	139,064	75,819	1,483	-	49,035	574,329	839,730
Total expenditures	30,969,880	5,683,397	2,307,878	-	5,403,418	10,016,260	54,380,833
Revenue over (under) expenditures	343,680	(748,663)	180,045	5,232,260	(2,784,649)	(2,505,193)	(282,520)
Other financing sources (uses)							
Proceeds from sales of capital assets	-	-	-	-	-	45,000	45,000
Transfers in	4,974,613	840,145	-	-	2,737,278	2,268,733	10,820,769
Transfers (out)	(5,647,261)	(25,000)	-	(2,623,427)	-	(208,596)	(8,504,284)
Total other financing sources (uses)	(672,648)	815,145	-	(2,623,427)	2,737,278	2,105,137	2,361,485
Net change in fund balances	(328,968)	66,482	180,045	2,608,833	(47,371)	(400,056)	2,078,965
Fund balances, beginning of year, as restated	2,357,602	180,800	579,841	4,249,508	47,371	2,332,335	9,747,457
Fund balances, end of year	\$ 2,028,634	\$ 247,282	\$ 759,886	\$ 6,858,341	\$ -	\$ 1,932,279	\$ 11,826,422

The accompanying notes are an integral part of these financial statements.

COUNTY OF CALHOUN, MICHIGAN
Reconciliation of the Statement of Revenue, Expenditures
and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2005

Net change in fund balances - total governmental funds	\$ 2,078,965
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Amounts reported for *governmental activities* in the statement of activities are different

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	839,730
Subtract: depreciation expense	(1,316,702)
Deduct: net book value of capital assets sold	36,610
Subtract: proceeds from sales of capital assets	(45,000)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Add: change in deferred property taxes and special assessments	336,442
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long term-liabilities.

Add: principal payments on long-term liabilities	624,042
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Add: change in accrued interest on bonds	7,101
Subtract: increase in the accrual of compensated absences	(22,747)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities:

Add: interest revenue from governmental internal service funds	334
Add: net operating income from governmental activities accounted for in internal service funds	(533,419)
Subtract: internal activities (transfers) accounted for in internal service funds	(327,476)

Change in net assets of governmental activities	\$ 1,677,880
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The accompanying notes are an integral part of these financial statements.

COUNTY OF CALHOUN, MICHIGAN
Statement of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual
General Fund

For the Year Ended December 31, 2005
(With Comparative Actual Amounts for the Year Ended December 31, 2004)

	Original Budget	Amended Budget	Actual	Over (Under) Budget	2004
Revenue					
Taxes:					
Property taxes	\$ 15,962,532	\$ 15,962,532	\$ 15,499,160	\$ (463,372)	\$ 15,086,327
Industrial/commercial facilities tax	302,817	302,817	391,732	88,915	451,273
Payment in lieu of taxes	22,000	22,000	18,070	(3,930)	24,183
Trailer fees	15,500	15,500	16,366	866	15,924
Interest and fees	8,000	8,000	8,219	219	7,434
Total taxes	16,310,849	16,310,849	15,933,547	(377,302)	15,585,141
Licenses and permits:					
Dog licenses	60,000	71,668	71,813	145	61,609
Concealed weapons licenses	10,000	15,494	16,536	1,042	17,420
Marriage licenses	5,500	5,500	5,090	(410)	5,700
Total licenses and permits	75,500	92,662	93,439	777	84,729
Intergovernmental:					
Emergency services	31,400	31,400	22,920	(8,480)	29,761
Circuit judges' salary	182,900	182,900	182,896	(4)	182,896
District judges' salary	182,900	182,900	182,896	(4)	182,896
Probate judges' salary	294,000	294,000	295,011	1,011	294,748
Sheriff	20,000	22,464	18,046	(4,418)	20,042
Juvenile officer grant	52,775	52,775	52,776	1	52,776
Marine safety	19,672	19,672	19,672	-	26,870
Liquor law enforcement	9,200	9,200	9,815	615	9,107
Liquor taxes	568,950	599,832	599,832	-	570,138
Cigarette taxes	86,270	86,270	86,254	(16)	79,355
Income and sales taxes	-	-	-	-	817,242
Single business tax	-	-	-	-	421,193
Court equity program	1,104,000	1,088,559	1,079,017	(9,542)	1,185,609
ADC incentive	280,000	280,000	293,467	13,467	292,462
Juror fee reimbursement	105,318	105,318	85,275	(20,043)	106,482
Interactive video project	-	-	-	-	31,424
Medical support program	80,000	80,000	81,250	1,250	20,000
Total intergovernmental	3,017,385	3,035,290	3,009,127	(26,163)	4,323,001
Charges for services:					
Circuit court fees	482,000	422,000	401,825	(20,175)	442,960
District court fees	2,465,000	2,321,946	2,227,980	(93,966)	2,288,440
Friend of the court fees	174,000	129,200	152,753	23,553	310,151
Probate court fees	63,500	63,500	57,805	(5,695)	61,717
Court services fees	-	16,450	16,478	28	-
Public defender fees	110,000	110,000	94,560	(15,440)	79,936
Election fees	37,900	49,712	32,474	(17,238)	10,503
Clerk/register fees	1,349,321	1,336,952	1,336,320	(632)	1,321,841
Prosecuting attorney fees	60,000	74,479	74,479	-	54,498
Equalization fees	6,000	6,000	7,127	1,127	7,494
Treasurer fees	6,000	6,000	27,283	21,283	9,080
Survey and remonumentation	17,200	20,265	19,665	(600)	20,593
Sheriff service fees	5,720,650	5,469,889	5,413,174	(56,715)	5,266,420
Cooperative extension fees	16,273	16,273	14,988	(1,285)	13,637
Total charges for services	10,507,844	10,042,666	9,876,911	(165,755)	9,887,270

(continued...)

COUNTY OF CALHOUN, MICHIGAN
Statement of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual (Continued)
General Fund
For the Year Ended December 31, 2005
(With Comparative Actual Amounts for the Year Ended December 31, 2004)

	Original Budget	Amended Budget	Actual	Over (Under) Budget	2004
Revenue (continued)					
Fines and forfeitures:					
Bond forfeitures	\$ 90,000	\$ 90,000	\$ 117,941	\$ 27,941	\$ 102,033
Ordinance fines and costs	725,000	994,300	999,431	5,131	698,866
Total fines and forfeitures	815,000	1,084,300	1,117,372	33,072	800,899
Interest and rents:					
Interest on investments	185,000	226,000	316,649	90,649	199,462
Other:					
Vending commissions	600	600	656	56	506
Sale of equipment	5,000	12,000	12,509	509	150
Indirect cost reimbursements	329,070	380,970	380,220	(750)	-
Miscellaneous	629,457	595,775	573,130	(22,645)	603,276
Total other	964,127	989,345	966,515	(22,830)	603,932
Total revenue	31,875,705	31,781,112	31,313,560	(467,552)	31,484,434
Expenditures					
Legislative:					
Board of commissioners	199,071	186,196	185,610	(586)	187,300
Judicial:					
Circuit court	871,281	849,564	830,926	(18,638)	821,808
Circuit court - family	1,244,844	1,235,085	1,227,679	(7,406)	1,224,676
Indigent public defender	1,955,575	2,087,847	2,087,847	-	1,863,748
District court	3,146,158	3,044,141	3,048,077	3,936	3,022,689
Probate court	795,232	786,062	779,780	(6,282)	770,804
Circuit court probation	41,516	39,976	34,528	(5,448)	34,932
Court services	187,950	173,750	148,123	(25,627)	141,695
Total judicial	8,242,556	8,216,425	8,156,960	(59,465)	7,880,352
General government:					
Elections	150,259	168,125	168,125	-	177,383
Civil counsel	8,792	7,008	7,008	-	6,136
Clerk of the circuit court	480,535	475,653	475,653	-	465,293
Clerk/register	615,512	601,331	601,331	-	579,685
Administrator	322,885	311,626	311,465	(161)	302,368
Finance	450,787	460,599	459,324	(1,275)	441,343
Equalization	330,046	303,116	303,116	-	296,545
Personnel	248,160	233,013	233,013	-	198,273
Purchasing	55,272	54,088	52,569	(1,519)	55,060
Prosecuting attorney	2,452,039	2,334,185	2,327,493	(6,692)	2,226,471
Treasurer	513,172	484,008	484,008	-	496,812
Cooperative extension	185,616	180,109	173,379	(6,730)	171,392

(continued...)

COUNTY OF CALHOUN, MICHIGAN
Statement of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual (Continued)
General Fund
For the Year Ended December 31, 2005
(With Comparative Actual Amounts for the Year Ended December 31, 2004)

	Original Budget	Amended Budget	Actual	Over (Under) Budget	2004
Expenditures (continued)					
General government (concluded):					
Drain commissioner	\$ 196,146	\$ 204,461	\$ 204,461	\$ -	\$ 196,249
Administrative services	150,928	150,183	145,532	(4,651)	145,377
Planning department	118,450	128,812	118,812	(10,000)	125,000
Emergency services	89,912	81,344	81,344	-	98,906
Soil conservation district	12,500	12,500	12,500	-	12,500
Homer lake mgmt assessment	2,770	1,963	1,963	-	3,926
Potawatomi RC&D	500	500	500	-	500
Total general government	6,384,281	6,192,624	6,161,596	(31,028)	5,999,219
Public safety:					
Sheriff - administration	658,851	665,052	684,881	19,829	642,057
Support service	390,290	376,212	376,212	-	363,881
Detective division	72,367	71,443	71,443	-	73,884
Road patrol	962,618	1,098,678	1,098,669	(9)	1,078,386
Tekonsha contract	54,531	49,310	49,310	-	55,358
Pennfield contract	637,062	700,511	701,690	1,179	393,808
Traffic safety	332,086	338,975	338,975	-	356,871
Sheriff training	98,255	85,558	85,558	-	102,081
Convis Township contract	66,663	70,749	70,749	-	65,416
Civil process	98,650	94,310	94,310	-	92,430
COPS/DARE	41,119	32,333	32,333	-	46,342
Cold crime unit	62,037	60,842	60,842	-	61,529
Marine safety	55,680	59,374	59,374	-	40,907
Work program	127,199	87,884	87,884	-	113,828
Corrections/jail	8,606,414	8,771,849	8,771,849	-	8,823,595
Community corrections - administration	220,348	176,646	176,646	-	203,222
Drug enforcement	42,313	41,756	41,756	-	41,829
Animal control	117,991	124,052	124,052	-	122,310
Total public safety	12,644,474	12,905,534	12,926,533	20,999	12,677,734
Public works:					
Drain assessments	101,386	101,386	101,386	-	81,496
Board of public works	3,780	3,780	3,780	-	-
Total public works	105,166	105,166	105,166	-	81,496
Health and welfare:					
Substance abuse	284,475	299,916	299,916	-	285,069
Mental health	265,000	265,000	265,000	-	265,000
Medical examiner	180,000	170,840	170,840	-	161,435
Veteran's burials	63,000	49,650	49,650	-	48,375
Veteran's services	127,499	124,311	124,311	-	125,602
Total health and welfare	919,974	909,717	909,717	-	885,481

(continued...)

COUNTY OF CALHOUN, MICHIGAN
Statement of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual (Concluded)
General Fund
For the Year Ended December 31, 2005
(With Comparative Actual Amounts for the Year Ended December 31, 2004)

	Original Budget	Amended Budget	Actual	Over (Under) Budget	2004
Expenditures (concluded)					
Other - intergovernmental services	\$ 2,036,173	\$ 2,388,484	\$ 2,385,234	\$ (3,250)	\$ 2,406,961
Capital outlay	187,449	165,950	139,064	(26,886)	223,758
Total expenditures	30,719,144	31,070,096	30,969,880	(100,216)	30,342,301
Revenue over (under) expenditures	1,156,561	711,016	343,680	(367,336)	1,142,133
Other financing sources (uses)					
Transfers in	4,800,184	4,937,210	4,974,613	37,403	3,978,007
Transfers out	(5,962,745)	(5,648,226)	(5,647,261)	965	(6,005,268)
Total other financing uses	(1,162,561)	(711,016)	(672,648)	38,368	(2,027,261)
Net change in fund balance	(6,000)	-	(328,968)	(328,968)	(885,128)
Fund balance, beginning of year	2,357,602	2,357,602	2,357,602	-	3,242,730
Fund balance, end of year	\$ 2,351,602	\$ 2,357,602	\$ 2,028,634	\$ (328,968)	\$ 2,357,602

The accompanying notes are an integral part of these financial statements.

COUNTY OF CALHOUN, MICHIGAN
Statement of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual
Health Department
For the Year Ended September 30, 2005
(With Comparative Actual Amounts for the Year Ended September 30, 2004)

	Original Budget	Amended Budget	Actual	Over (Under) Budget	2004
Revenue					
Licenses and permits	\$ 421,729	\$ 342,177	\$ 330,537	\$ (11,640)	\$ 342,178
Intergovernmental	3,834,342	4,374,340	4,239,066	(135,274)	3,490,167
Charges for services	186,651	235,772	253,014	17,242	262,195
Other	265,970	170,478	112,117	(58,361)	438,632
Total revenue	4,708,692	5,122,767	4,934,734	(188,033)	4,533,172
Expenditures					
Current:					
Health and welfare	5,527,492	5,811,506	5,589,418	(222,088)	5,203,545
Debt service:					
Principal	-	-	16,013	16,013	12,288
Interest and fiscal charges	-	-	2,147	2,147	1,332
Capital outlay	21,356	151,417	75,819	(75,598)	144,997
Total expenditures	5,548,848	5,962,923	5,683,397	(279,526)	5,362,162
Revenue over (under) expenditures	(840,156)	(840,156)	(748,663)	91,493	(828,990)
Other financing sources (uses)					
Capital lease proceeds	-	-	-	-	67,000
Transfers in	840,156	840,156	840,145	(11)	835,275
Transfers (out)	-	-	(25,000)	(25,000)	(150,000)
Total other financing sources (uses)	840,156	840,156	815,145	(25,011)	752,275
Net change in fund balance	-	-	66,482	66,482	(76,715)
Fund balance, beginning of year	180,800	180,800	180,800	-	257,515
Fund balance, end of year	\$ 180,800	\$ 180,800	\$ 247,282	\$ 66,482	\$ 180,800

The accompanying notes are an integral part of these financial statements.

COUNTY OF CALHOUN, MICHIGAN
Statement of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual
Senior Millage
For the Year Ended December 31, 2005
(With Comparative Actual Amounts for the Year Ended December 31, 2004)

	Original Budget	Amended Budget	Actual	Over (Under) Budget	2004
Revenue					
Taxes	\$ 2,376,427	\$ 2,376,427	\$ 2,428,814	\$ 52,387	\$ 2,336,634
Interest and rentals	-	-	53,766	53,766	17,385
Other	-	-	5,343	5,343	8,276
Total revenue	2,376,427	2,376,427	2,487,923	111,496	2,362,295
Expenditures					
Current:					
Health and welfare	2,521,501	2,522,186	2,306,395	(215,791)	2,195,854
Capital outlay	-	1,815	1,483	(332)	2,037
Total expenditures	2,521,501	2,524,001	2,307,878	(216,123)	2,197,891
Revenue over (under) expenditures	(145,074)	(147,574)	180,045	327,619	164,404
Other financing sources (uses)					
Transfers (out)	-	-	-	-	(9,000)
Net change in fund balance	(145,074)	(147,574)	180,045	327,619	155,404
Fund balance, beginning of year	579,841	579,841	579,841	-	424,437
Fund balance, end of year	\$ 434,767	\$ 432,267	\$ 759,886	\$ 327,619	\$ 579,841

The accompanying notes are an integral part of these financial statements.

COUNTY OF CALHOUN, MICHIGAN
Statement of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual
Revenue Sharing Reserve
For the Year Ended December 31, 2005
(With Comparative Actual Amounts for the Year Ended December 31, 2004)

	Original Budget	Amended Budget	Actual	Over (Under) Budget	2004
Revenue					
Taxes	\$ 2,623,427	\$ 2,623,427	\$ 5,148,900	\$ 2,525,473	\$ 5,575,518
Interest and rentals	-	83,500	83,360	(140)	-
Total revenue	2,623,427	2,706,927	5,232,260	2,525,333	5,575,518
Other financing sources (uses)					
Transfers (out)	(2,623,427)	(2,623,427)	(2,623,427)	-	(1,326,010)
Net change in fund balance	-	83,500	2,608,833	2,525,333	4,249,508
Fund balance, beginning of year	4,249,508	4,249,508	4,249,508	-	-
Fund balance, end of year	\$ 4,249,508	\$ 4,333,008	\$ 6,858,341	\$ 2,525,333	\$ 4,249,508

The accompanying notes are an integral part of these financial statements.

COUNTY OF CALHOUN, MICHIGAN
Statement of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual
Child Care
For the Year Ended December 31, 2005
(With Comparative Actual Amounts for the Year Ended December 31, 2004)

	Original Budget	Amended Budget	Actual	Over (Under) Budget	2004
Revenue					
Intergovernmental	\$ 2,539,585	\$ 2,636,773	\$ 2,461,004	\$ (175,769)	\$ 2,581,814
Charges for services	180,756	180,756	157,765	(22,991)	142,784
Total revenue	2,720,341	2,817,529	2,618,769	(198,760)	2,724,598
Expenditures					
Current:					
Health and welfare	5,518,121	5,554,807	5,354,383	(200,424)	5,419,221
Capital outlay	-	47,372	49,035	1,663	24,335
Total expenditures	5,518,121	5,602,179	5,403,418	(198,761)	5,443,556
Revenue over (under) expenditures	(2,797,780)	(2,784,650)	(2,784,649)	1	(2,718,958)
Other financing sources					
Transfers in	2,797,780	2,737,278	2,737,278	-	2,766,329
Net change in fund balances	-	(47,372)	(47,371)	1	47,371
Fund balance, beginning of year	47,371	47,371	47,371	-	-
Fund balance (deficit), end of year	\$ 47,371	\$ (1)	\$ -	\$ 1	\$ 47,371

The accompanying notes are an integral part of these financial statements.

COUNTY OF CALHOUN, MICHIGAN

Statement of Net Assets

Proprietary Funds

December 31, 2005

	Business-type Activities				Governmental Activities- Internal Service Funds
	Medical Care Facility	Delinquent Tax Revolving Fund	Other Enterprise Funds	Total	
Assets					
Current assets:					
Cash and cash equivalents	\$ 2,012,503	\$ 3,815,323	\$ 204,013	\$ 6,031,839	\$ 2,495,818
Restricted cash and cash equivalents	5,907,494	-	-	5,907,494	-
Investments	-	7,505,897	-	7,505,897	-
Receivables:					
Accounts, net	813,290	-	-	813,290	10,209
Property taxes	706,574	-	-	706,574	-
Property taxes-delinquent	-	5,041,805	-	5,041,805	-
Accrued interest	-	1,122,652	-	1,122,652	-
Advances to other funds	-	61,669	-	61,669	-
Inventory	-	-	-	-	9,218
Prepaid items	136,794	-	-	136,794	56,716
Total current assets	9,576,655	17,547,346	204,013	27,328,014	2,571,961
Capital assets, net	2,347,488	31,685	3,850	2,383,023	2,418,345
Total assets	11,924,143	17,579,031	207,863	29,711,037	4,990,306
Liabilities					
Current liabilities:					
Accounts payable	221,378	-	107,888	329,266	270,643
Accrued payroll	261,272	36,862	-	298,134	17,309
Tax notes payable	-	500,000	-	500,000	-
Claims payable	-	-	-	-	882,770
Other accrued liabilities	708,702	-	-	708,702	-
Due to other governments	-	119,617	-	119,617	-
Due to individuals	9,269	-	-	9,269	-
Due to other funds	116,667	-	-	116,667	-
Advance from other funds	-	-	-	-	61,669
Unearned revenue	761,898	-	-	761,898	-
Current portion of capital leases payable	-	-	-	-	42,600
Total current liabilities	2,079,186	656,479	107,888	2,843,553	1,274,991
Long-term liabilities:					
Capital leases payable	-	-	-	-	228,031
Total liabilities	2,079,186	656,479	107,888	2,843,553	1,503,022
Net assets					
Invested in capital assets, net of related debt	2,347,488	31,685	3,850	2,383,023	2,147,714
Restricted	52,387	6,421,233	-	6,473,620	-
Unrestricted	7,445,082	10,469,634	96,125	18,010,841	1,339,570
Total net assets	\$ 9,844,957	\$ 16,922,552	\$ 99,975	\$ 26,867,484	\$ 3,487,284

The accompanying notes are an integral part of these financial statements.

COUNTY OF CALHOUN, MICHIGAN
Statement of Revenue, Expenses and
Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2005

	Business-type Activities				Governmental Activities- Internal Service Funds
	Medical Care Facility	Delinquent Tax Revolving Fund	Other Enterprise Funds	Total	
Operating revenue					
Charges for services	\$ 8,906,789	\$ -	\$ 788,272	\$ 9,695,061	\$ 9,333,478
Interest and administrative fees on taxes	-	598,615	-	598,615	-
Interest revenue	-	998,129	-	998,129	-
Other revenue	413,325	-	-	413,325	9,367
Total operating revenue	9,320,114	1,596,744	788,272	11,705,130	9,342,845
Operating expenses					
Personnel services / administration	5,512,590	208,909	44,046	5,765,545	180,353
Cost of services	-	-	-	-	9,403,248
Depreciation	339,307	12,930	2,136	354,373	292,663
Other	3,331,123	-	702,937	4,034,060	-
Total operating expenses	9,183,020	221,839	749,119	10,153,978	9,876,264
Operating income (loss)	137,094	1,374,905	39,153	1,551,152	(533,419)
Non-operating revenue					
Taxes	880,423	-	-	880,423	-
Interest revenue	203,646	384,223	-	587,869	334
Interest and fiscal charges	-	(78,010)	-	(78,010)	-
Total non-operating revenue	1,084,069	306,213	-	1,390,282	334
Income (loss) before transfers	1,221,163	1,681,118	39,153	2,941,434	(533,085)
Transfers					
Transfers in	-	-	-	-	65,955
Transfers (out)	(168,333)	(1,600,000)	(220,676)	(1,989,009)	(393,431)
Total transfers	(168,333)	(1,600,000)	(220,676)	(1,989,009)	(327,476)
Change in fund net assets	1,052,830	81,118	(181,523)	952,425	(860,561)
Net assets, beginning of year	8,792,127	16,841,434	281,498	25,915,059	4,347,845
Net assets, end of year	\$ 9,844,957	\$ 16,922,552	\$ 99,975	\$ 26,867,484	\$ 3,487,284

The accompanying notes are an integral part of these financial statements.

COUNTY OF CALHOUN, MICHIGAN
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2005

	Business-type Activities				Governmental Activities- Internal Service Funds
	Medical Care Facility	Delinquent Tax Revolving Fund	Other Enterprise Funds	Total	
Cash flows from operating activities					
Cash received from customers	\$ 9,319,030	\$ 1,042,740	\$ 788,436	\$ 11,150,206	\$ -
Cash received from interfund services	-	-	-	-	9,334,835
Cash payments to suppliers	(8,643,003)	(252,186)	(636,066)	(9,531,255)	(8,418,212)
Cash payments to employees	-	-	(44,046)	(44,046)	(889,346)
Net cash provided by (used in) operating activities	676,027	790,554	108,324	1,574,905	27,277
Cash flows from non-capital financing activities					
Property taxes	874,172	-	-	874,172	-
Cash received on advances to other funds	-	58,732	-	58,732	-
Transfers in	-	-	-	-	65,955
Transfers (out)	(155,000)	(1,600,000)	(220,676)	(1,975,676)	(393,431)
Tax notes issued	-	5,400,000	-	5,400,000	-
Tax notes redeemed	-	(5,350,000)	-	(5,350,000)	-
Net cash provided by (used in) non-capital financing activities	719,172	(1,491,268)	(220,676)	(992,772)	(327,476)
Cash flows from capital and related financing activities					
Purchase of capital assets	(362,540)	(6,183)	-	(368,723)	(95,025)
Capital lease payments	-	-	-	-	(40,888)
Net cash (used in) capital and related financing activities	(362,540)	(6,183)	-	(368,723)	(135,913)
Cash flows from investing activities					
Proceeds from matured investments	-	331,535	-	331,535	-
Interest received	203,646	306,213	-	509,859	334
Net cash provided by (used in) investing activities	203,646	637,748	-	841,394	334
Net increase in cash and cash equivalents	1,236,305	(69,149)	(112,352)	1,054,804	(435,778)
Cash and cash equivalents, beginning of year	6,683,692	3,884,472	316,365	10,884,529	2,931,596
Cash and cash equivalents, end of year	\$ 7,919,997	\$ 3,815,323	\$ 204,013	\$ 11,939,333	\$ 2,495,818
Reconciliation to the Statement of Net Assets					
Cash and cash equivalents	\$ 2,012,503	\$ 3,815,323	\$ 204,013	\$ 6,031,839	\$ 2,495,818
Restricted cash and cash equivalents	5,907,494	-	-	5,907,494	-
	\$ 7,919,997	\$ 3,815,323	\$ 204,013	\$ 11,939,333	\$ 2,495,818

(continued...)

COUNTY OF CALHOUN, MICHIGAN
Statement of Cash Flows (Concluded)
Proprietary Funds
For the Year Ended December 31, 2005

	Business-type Activities				Governmental Activities- Internal Service Funds
	Medical Care Facility	Delinquent Tax Revolving Fund	Other Enterprise Funds	Total	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 137,094	\$ 1,374,905	\$ 39,153	\$ 1,551,152	\$ (533,419)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operations:					
Depreciation	339,307	12,930	2,136	354,373	292,663
Changes in assets and liabilities:					
Accounts receivable	(1,084)	-	164	(920)	(8,010)
Property taxes-delinquent	-	(474,152)	-	(474,152)	-
Accrued interest receivable	-	(79,852)	-	(79,852)	-
Due from other governmental units	-	-	-	-	-
Inventory	-	-	-	-	11,486
Prepaid items	531	-	-	531	39,631
Accounts payable	86,674	-	67,772	154,446	82,528
Accrued payroll	9,355	(18,089)	(901)	(9,635)	1,822
Other accrued liabilities	131,852	-	-	131,852	-
Due to individuals	(2,243)	-	-	(2,243)	-
Due to other governmental units	-	(25,188)	-	(25,188)	-
Claims payable	-	-	-	-	199,308
Advances from other funds	-	-	-	-	(58,732)
Unearned revenue	(25,459)	-	-	(25,459)	-
Net cash provided by (used in) operating activities	\$ 676,027	\$ 790,554	\$ 108,324	\$ 1,574,905	\$ 27,277

The accompanying notes are an integral part of these financial statements.

COUNTY OF CALHOUN, MICHIGAN
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2005

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
<u>ASSETS</u>		
Assets		
Cash and cash equivalents	\$ 23,087	\$ 2,152,155
Investments:		
U.S. government securities	1,754,587	-
Corporate bonds	818,699	-
Mutual and cash management funds	1,796,845	-
Accounts receivable	<u>2,357</u>	<u>27,319</u>
<u>TOTAL ASSETS</u>	<u>4,395,575</u>	<u>\$ 2,179,474</u>
Liabilities		
Accounts payable	2,250	\$ 366,895
Due to individuals and agencies	-	1,195,022
Due to other government units	<u>-</u>	<u>617,557</u>
Total liabilities	<u>2,250</u>	<u>\$ 2,179,474</u>
Net assets held in trust for		
Retirement administration	4,342,422	
Employee benefits	<u>50,903</u>	
Total net assets	<u>\$ 4,393,325</u>	

The accompanying notes are an integral part of these financial statements.

COUNTY OF CALHOUN, MICHIGAN
Statement of Changes in Plan Net Assets
Pension Trust Funds
For the Year Ended December 31, 2005

Additions:

Investment income:	
Interest and dividends	\$ 188,271
Contributions:	
Employer	519,753
Employee	811,114
Forfeitures	<u>10,000</u>
Total additions	<u>1,529,138</u>

Deductions:

Pension benefits paid to participants	203,853
Actuarial fees	41,014
Administrative fees	13,763
Refunds	61,852
Employee reimbursements	<u>212,639</u>
Total deductions	<u>533,121</u>
Net increase	996,017

Net assets held in trust for pension benefits

Beginning of year	<u>3,397,308</u>
End of year	<u><u>\$ 4,393,325</u></u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF CALHOUN, MICHIGAN
Combining Statement of Net Assets
Component Units
December 31, 2005

	Drain Commission	Road Commission	Board of Public Works	Total
Assets				
Cash and cash equivalents	\$ 685,793	\$ 787,315	\$ 854,485	\$ 2,327,593
Receivables, net	1,168,996	2,397,596	14,065,573	17,632,165
Prepaid items and other assets	-	780,580	-	780,580
Capital assets not being depreciated	-	22,128,121	-	22,128,121
Capital assets being depreciated, net	3,230,691	20,513,436	-	23,744,127
Total assets	5,085,480	46,607,048	14,920,058	66,612,586
Liabilities				
Accounts payable and accrued expenses	268,839	1,463,802	706,418	2,439,059
Unearned revenue	-	79,141	-	79,141
Long-term liabilities:				
Due within one year	441,288	935,768	810,000	2,187,056
Due in more than one year	1,516,008	2,307,521	13,025,000	16,848,529
Total liabilities	2,226,135	4,786,232	14,541,418	21,553,785
Net assets				
Invested in capital assets, net of related debt	1,273,395	39,398,268	-	40,671,663
Unrestricted	1,585,950	2,422,548	378,640	4,387,138
Total net assets	\$ 2,859,345	\$ 41,820,816	\$ 378,640	\$ 45,058,801

The accompanying notes are an integral part of these financial statements.

COUNTY OF CALHOUN, MICHIGAN
Combining Statement of Activities
Component Units
For the Year Ended December 31, 2005

	Drain Commission	Road Commission	Board of Public Works	Total
Expenses				
County Drains	\$ 332,919	\$ -	\$ -	\$ 332,919
County Roads	-	12,819,823	-	12,819,823
Public Works	-	-	1,411,059	1,411,059
Total expenses	332,919	12,819,823	1,411,059	14,563,801
Program revenues				
Charges for services	-	2,999,666	10,057	3,009,723
Operating grants and contributions	32,002	9,258,495	1,308,133	10,598,630
Capital grants and contributions	143,671	818,931	-	962,602
Total program revenues	175,673	13,077,092	1,318,190	14,570,955
Net revenue	(157,246)	257,269	(92,869)	7,154
General revenues				
Unrestricted investment earnings	-	11,405	25,767	37,172
Change in net assets	(157,246)	268,674	(67,102)	44,326
Net assets, beginning of year, as restated	3,016,591	41,552,142	445,742	45,014,475
Net assets, end of year	\$ 2,859,345	\$ 41,820,816	\$ 378,640	\$ 45,058,801

The accompanying notes are an integral part of these financial statements.

COUNTY OF CALHOUN, MICHIGAN

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Notes to the Financial Statements

For the Year Ended December 31, 2005

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COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Calhoun, Michigan (the “County” or “government”) was incorporated in 1829 and covers an area of approximately 710 square miles in southern lower Michigan. The County operates under a 7-member elected Board of Commissioners and an appointed County Administrator/Coordinator. The County seat is located in the City of Marshall.

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the County’s accounting policies are described below.

A. Reporting entity

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the government.

Blended Component Unit

Calhoun County Building Authority - The Building Authority is governed by a three-member board appointed by the Calhoun County Board of Commissioners. Its sole function is to oversee the financing and construction, if any, of the County’s public buildings; therefore, it is reported as if it were part of the primary government. It has been reported as a debt service fund.

Discretely Presented Component Units

Calhoun County Drain Commission (the “Drain Commission”) - All drainage districts established pursuant to the Michigan Drain Code of 1956, as amended, are separate legal entities with the power to contract, to sue and be sued, and to hold, manage and dispose of real and personal property. The statutory governing board of Chapter 20 drainage districts consists of the Drain Commissioner, the Chair of the County Board of Commissioners and one other member of the County Board of Commissioners.

The statutory governing board of Chapter 5 and 6 drainage districts consists of the Michigan Director of Agriculture and the Drain Commissioner of each county involved in the project. The County Drain Commission has sole responsibility to administer Chapter 3 and 4 drainage districts. A drainage board or drain commissioner, on behalf of the drainage district, may issue debt and levy special assessments without the prior approval of the County. The full faith and credit of the County may be given for the debt of a drainage district.

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

Also, pursuant to the Inland Lake Level Act of 1961, after the Circuit Court of the County establishes a lake level, the Drain Commissioner has the responsibility to maintain that level with control structures and/or pumps. The Drain Commissioner may issue debt and levy special assessments to defray the expenses required to maintain the Court ordered lake levels. The Drain Commission has a December 31 year end.

Calhoun County Road Commission (the “Road Commission”) - The Road Commission, established pursuant to State statute, is governed by a three-member board appointed by the County. Its receipts are deposited with the County Treasurer, who invests certain of those deposits. The Road Commission may not issue debt or levy a tax without the approval of the County Board of Commissioners. If approval is granted, such taxes would be levied under the taxing authority of the County and included as part of the County’s total tax levy as well as reported by the Road Commission. The Road Commission has a December 31 year end.

Calhoun County Board of Public Works (the “BPW”) - The BPW is governed by a three-member board appointed by the County. It is responsible for administering various public works construction projects and the associated debt service funds under the provisions of Act 195, Public Acts of 1957, as amended, as well as an internal service (i.e., “revolving”) fund. All of the BPW’s contractual agreements, including construction project bond issuances, require County approval. The BPW has a December 31 year end.

Complete financial statements for each of the following discretely presented component units may be obtained at the entity’s administrative offices.

Calhoun County Road Commission

13300 Fifteen Mile Road
Marshall, Michigan 49068

Calhoun County Board of Public Works

13300 Fifteen Mile Road
Marshall, Michigan 49068

Funds With Other Year Ends – The financial statements of the Health Department special revenue fund are presented in the accompanying financial statements using its fiscal year end of September 30, 2005.

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or within one year for reimbursement based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, State revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *health department fund* accounts for the activities of delivering health services to residents.

The *senior millage special revenue fund* accounts for the activities of providing senior citizen services where financing is provided by a County tax levy.

The *revenue sharing reserve special revenue fund* accounts for accelerated property taxes collections held for the replacement of future state shared revenues.

The *child care special revenue fund* accounts for the in-home-care programs and out-of-home child care of children where the financing is provided by state grants and County appropriations.

The County reports the following major proprietary funds:

The *Medical Care Facility fund* is used to account for the operation of the Calhoun County Medical Care Facility. Financing is provided through charges for services, Medicare and Medicaid reimbursements, and general fund appropriations.

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

The *delinquent tax revolving fund* accounts for the County's annual purchase of delinquent real property taxes from each of the local taxing units within the County, and the ultimate collection from the property owners of the delinquent taxes with penalty and interest. The fund also accounts for the County's issuance of debt (to provide cash flow for the purchase of the taxes) and for the resulting debt service payments.

Additionally, the County reports the following fund types:

Special revenue funds account for revenue sources that are legally restricted to expenditure for specific purposes (not including major capital projects).

Debt service funds account for the servicing of long-term debt not being financed by proprietary funds.

Permanent fund. This fund accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support specified government programs.

Enterprise funds. These funds account for those operations that are financed and operated in a manner similar to private business or where the County has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The *internal service funds* account for operations that provide services (such as building and grounds care, administrative services, insurance, and employee benefits) to other departments or agencies of the County on a cost-reimbursement basis.

The *pension trust funds* are accounted for in essentially the same manner as proprietary funds, using the same measurement focus and basis of accounting. The pension trust fund accounts for the assets of the County's defined benefit pension plan, the 401(k) pension plan and the Flexible Benefit Plan.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the government's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities and equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are stated at fair value, which is determined as follows: a) short-term investments are reported at cost, which approximates fair value; b) securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates; c) investments that do not have established market values are reported at estimated fair value; and d) cash deposits are reported at carrying amount, which reasonably approximates fair value.

State statutes authorize the County to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

2. Receivables and payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

Advances between funds or component units are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles, as applicable.

3. *Inventories and prepaid items*

All inventories are valued at cost using the first-in/first-out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

In the case of the initial capitalization of general infrastructure assets (i.e. – those reported in the Drain Commission and Road Commission component units), the component units each chose to include all items retroactively to 1980.

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

Capital assets of the primary government and Drain Commission component unit are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Drain and lake level infrastructure	50
Vehicles	3-20
Equipment	5-10

Capital assets in the Road Commission discretely presented component unit are depreciated as follows:

	<u>Methods</u>	<u>Useful Lives- Years</u>
Buildings and improvements	Straight-line	40
Road equipment	Sum of years-digits	5-8
Other equipment	Straight-line	5-8
Infrastructure	Straight-line	8-50

5. *Compensated absences*

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave as it does not vest. Vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. *Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

In the government-wide financial statements, governmental activities report net assets restricted for programs, which represent amounts restricted by federal and state mandates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at year end.

On or before the first Monday in August of each year, all departments and agencies of the government submit requests for appropriations to the County Administrator so that a budget may be prepared. Prior to December 31, the proposed budget is presented to the County Board of Commissioners for review, public hearings and eventual adoption through passage of an annual budget ordinance.

The appropriated budget is prepared by fund, function and activity for the General Fund and by fund and function for the special revenue funds. The government's administrator may make transfers of appropriations less than or equal to \$20,000 between General Fund activities and between special revenue fund functions. Transfers of appropriations between General Fund activities or special revenue fund functions greater than \$20,000 require the approval of the Board of Commissioners. The legal level of budgetary control is the activity level for the General Fund and the function level for the special revenue funds. The Board of Commissioners made several supplemental budgetary appropriations during the year which were not considered material.

Encumbrance accounting is not employed by the County because it is presently considered unnecessary to reasonably assure budgetary control.

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

B. Excess of expenditures over appropriations

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended December 31, 2005, the following activities of the General Fund had expenditures in excess of appropriations as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Judicial:			
District court	\$ 3,044,141	\$ 3,048,077	\$ 3,936
Public safety:			
Sheriff administration	665,052	684,881	19,829
Pennfield contract	700,511	701,690	1,179
Special Revenue Funds			
Health Department:			
Child Care:			
Capital outlay	47,372	49,035	1,663
Debt Service	-	18,160	18,160
Transfers out	-	25,000	25,000

C. Deficit fund equity

At year end, the County had the following deficit fund balance:

Special Revenue Funds -	
Parks	\$ 46,991

During 2006, the County will update the status of this deficit with the Michigan Department of Treasury. The original deficit elimination plan for the Parks fund was filed with the State in 2002.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Following is a reconciliation of deposit and investments balances (including both pooled cash and investments) as of December 31, 2005:

Statement of Net Assets:

Primary government:	
Cash and cash equivalents	\$ 19,281,594
Investments	7,542,616
Component units:	
Cash and cash equivalents	2,327,593

Statement of Fiduciary Net Assets

Pension trust funds:	
Cash and cash equivalents	23,087
Investments	4,370,131
Agency fund:	
Cash and cash equivalents	<u>2,152,155</u>

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

Total	<u>\$ 35,697,176</u>
Deposits and investments:	
Bank deposits	\$ 21,081,069
Investments	10,234,506
Investments – pension trust funds	4,370,131
Cash on hand	<u>10,670</u>
Total	<u>\$ 35,697,176</u>

The County chooses to disclose its investments by specifically identifying each. As of year end, the County had the following investments.

	Carrying Amount (Fair Value)	Credit Rating
Investment:		
Commercial paper – Citigroup Funding	\$ 2,034,823	A1+ (S&P)
Governmental money market:		
LaSalle Bank	7,404,474	AAAm (S&P)
Comerica Bank	<u>795,209</u>	Unrated
	<u>\$ 10,234,506</u>	

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The County's investment policy limits investment maturities of commercial paper to 270 days as a means of managing its exposure to fair value losses arising from increasing interest rates. The County's investment in commercial paper adheres to the 270-day maturity requirement.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings, where applicable, have been identified above for the County's investments.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. At year end, the carrying amount of the County's deposits was \$21,081,869. As of year end, \$20,862,304 of the combined bank balance of \$21,784,605 was exposed to custodial credit risk because it was uninsured and uncollateralized.

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

The County's investment policy does not specifically address this risk, although the County believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the County evaluates each financial institution with which it deposits County funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the County does not have a policy for investment custodial credit risk. On the investments listed above, there is no custodial credit risk. Short-term investments in money market funds and open end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

B. Investments – Pension Trust Fund

The investments of the County's pension trust fund are maintained separately from the County's investments, and are subject to separate investment policies and state statutes. Accordingly, the required disclosures for the pension investments are presented separately.

The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314 of 1965, as amended, authorizes the pension trust fund to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The Plan's investment policy authorizes the pension trust fund to invest in time, savings and money market deposit accounts, certain government and debt securities, commercial paper, and certain debt and equity mutual funds. The retirement board has the responsibility and authority to oversee the investment portfolio. All investment decisions are subject to Michigan law and the investment policy established by the retirement board.

The investments of the pension trust fund are held in a bank-administered trust fund. Following is a summary of the pension investments as of December 31, 2005:

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

Investments at fair value, as determined quoted market price:

Equity securities:	
Open end mutual funds	\$ 1,059,547
Exchange traded mutual funds	<u>1,110,488</u>
	<u>2,170,035</u>
Debt securities:	
U.S. treasury notes	102,434
U.S. agencies	933,456
Corporate bonds	1,045,633
Money market funds	<u>118,573</u>
	<u>2,200,096</u>

Total **\$ 4,370,131**

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Plan's investment policy does not discuss the maximum maturity for any single fixed income security or the weighted average portfolio maturity.

As of December 31, 2005, maturities of the County's pension debt securities were as follows:

	Total	Investment Maturities (Fair Value)		
		Less Than 1 Year	1 - 5 Years	6 - 10 Years
U.S. treasury notes	\$ 102,434	\$ -	\$ -	\$ 102,434
U.S. agencies	933,456	49,610	486,814	397,032
Corporate bonds	1,045,633	100,168	345,329	600,136
	<u>\$ 2,081,523</u>	<u>\$ 149,778</u>	<u>\$ 832,143</u>	<u>\$ 1,099,602</u>

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan's investment policy provides that investments in commercial paper be rated P1 by Moody's or A1 by Standard & Poor's and corporate debt issues (bonds, notes, debentures) be rated in the highest two categories by either Moody's Standard & Poor's, or Fitch's Manual.

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

As of December 31, 2005, the Plan's investments in U.S. agencies were rated by Standard & Poor's as follows:

AAA	\$ 836,331
AA-	97,125
	<u>\$ 933,456</u>

As of December 31, 2005, the Plan's investments in corporate bonds were rated by Standard & Poor's as follows:

AAA	\$ 100,168
AA-	399,038
A+	446,082
A	100,345
	<u>\$ 1,045,633</u>

Custodial Credit Risk. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Plan's investment policy does not specifically address custodial credit risk. Although uninsured and unregistered, the Plan's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department or agent in the Plan's name. Short-term investments in money market funds and open end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan's investment policy does not specifically limit the amount of the Plan's investments in a single issuer.

As of December 31, 2005, the Plan's investment portfolio was concentrated as follows:

Issuer	% of Portfolio
Equities securities:	
Ishares S & P 500 Index Fund	16.23%
Vanguard / Windsor Fund Incorporated	15.39%
U.S. agencies	
Federal National Mortgage Association	12.20%
Federal Home Loan Mortgage Corporation	6.58%

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

C. Receivables

Receivables in the governmental activities are as follows:

Taxes	\$ 13,223,776
Accounts	927,037
Due from other governments	4,581,287
Advance to component unit	76,600
Accrued interest	<u>6,320</u>
	<u>\$ 18,815,020</u>

Receivables in the business-type activities are as follows:

Taxes	\$ 5,748,379
Accounts	813,290
Interest	<u>1,122,652</u>
	<u>\$ 7,684,321</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (current)	\$ 322,582	\$ 8,008,707
Property taxes receivable (delinquent)	345,186	-
Grant drawdowns prior to meeting all eligibility requirements	<u>-</u>	<u>386,576</u>
	<u>\$ 667,768</u>	<u>\$ 8,395,283</u>

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

D. Capital assets

Capital assets activity for the year ended December 31, 2005 was as follows:

Primary government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 1,264,276	\$ 1,988	\$ -	\$ 1,266,264
Capital assets, being depreciated:				
Buildings and improvements	47,426,285	72,818	-	47,499,103
Equipment and furniture	12,961,924	727,225	-	13,689,149
Vehicles	1,590,365	132,724	41,590	1,681,499
Total capital assets, being depreciated	61,978,574	932,767	41,590	62,869,751
Less accumulated depreciation for:				
Buildings and improvements	15,301,596	940,795	-	16,242,391
Equipment and furniture	11,180,968	507,855	-	11,688,823
Vehicles	1,117,128	160,715	33,200	1,244,643
Total accumulated depreciation	27,599,692	1,609,365	33,200	29,175,857
Total capital assets, being depreciated, net	34,378,882	(676,598)	8,390	33,693,894
Governmental activities capital assets, net	\$ 35,643,158	\$ (674,610)	\$ 8,390	\$ 34,960,158
Business-type Activities				
Capital assets, being depreciated:				
Land improvements	\$ 116,596	\$ -	\$ -	\$ 116,596
Buildings and improvements	6,263,060	272,158	17,065	6,518,153
Equipment and furniture	1,946,532	96,565	-	2,043,097
Total capital assets, being depreciated	8,326,188	368,723	17,065	8,677,846
Less accumulated depreciation for:				
Land improvements	72,873	8,157	-	81,030
Buildings and improvements	4,203,030	201,338	17,065	4,387,303
Equipment and furniture	1,681,612	144,878	-	1,826,490
Total accumulated depreciation	5,957,515	354,373	17,065	6,294,823
Business-type activities capital assets, net	\$ 2,368,673	\$ 14,350	\$ -	\$ 2,383,023

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

Component Unit – Drain Commission

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Infrastructure	\$ 3,466,005	\$ 348,472	\$ -	\$ 3,814,477
Less accumulated depreciation	514,466	69,320	-	583,786
Drain Commission capital assets, net	\$ 2,951,539	\$ 279,152	\$ -	\$ 3,230,691

Component Unit – Road Commission

	Beginning Balance	Increases	Decreases	Adjustments and Reclassifications	Ending Balance
Capital assets not being depreciated:					
Land	\$ 484,292	\$ -	\$ -	\$ -	\$ 484,292
Land improvements - infrastructure	20,999,394	644,435	-	-	21,643,829
Total capital assets not being depreciated	21,483,686	644,435	-	-	22,128,121
Capital assets being depreciated:					
Land improvements	75,305	-	2,733	(185)	72,387
Buildings and improvements	1,781,407	22,557	64,349	-	1,739,615
Road equipment	9,008,767	118,601	108,294	(3,096)	9,015,978
Shop equipment	246,657	-	-	-	246,657
Office equipment	409,509	18,609	-	-	428,118
Engineers' equipment	76,115	-	-	-	76,115
Yard and storage	822,653	-	8,399	-	814,254
Depleteable assets	235,267	-	87,600	-	147,667
Infrastructure - roads and signals	30,530,699	904,443	-	-	31,435,142
Infrastructure - bridges	6,479,283	231,327	-	-	6,710,610
Total capital assets being depreciated	49,665,662	1,295,537	271,375	(3,281)	50,686,543
Accumulated depreciation and depletion					
Buildings and improvements	1,503,104	55,307	65,716	(15,919)	1,476,776
Equipment	9,067,621	256,700	116,693	-	9,207,628
Depleteable assets	136,554	-	24,010	-	112,544
Infrastructure - roads and signals	15,786,982	1,185,988	-	-	16,972,970
Infrastructure - bridges	2,064,684	338,505	-	-	2,403,189
Total accumulated depreciation and depletion	28,558,945	1,836,500	206,419	(15,919)	30,173,107
Total capital assets being depreciated - net	21,106,717	(540,963)	64,956	12,638	20,513,436
Governmental activities capital assets - net	\$ 42,590,403	\$ 103,472	\$ 64,956	\$ 12,638	\$ 42,641,557

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

Legislative	\$ 3,430
Judicial	278,520
General government	67,107
Public safety	785,014
Health and welfare	162,631
Recreation and culture	20,000
Capital assets held by the government's internal service funds are charged to the various functions bases on usage of the assets	<u>292,663</u>

Total depreciation expense - governmental activities \$ 1,609,365

Business-type activities:

Medical Care Facility	\$ 339,307
Delinquent Tax Collection	12,930
Property Description	<u>2,136</u>

Total depreciation expense - business-type activities \$ 354,373

Depreciation expense was charged to the Public Works function in the year 2005 for the Drain Commission and Road Commission component units.

E. Accounts payable

Accounts payable and accrued liabilities in the governmental activities are as follows:

Accounts payable	\$ 2,237,201
Accrued payroll	523,262
Due to other governments	447,968
Claims incurred but not reported	882,770
Accrued interest on long-term debt	<u>83,273</u>

Total \$ 4,174,474

F. Interfund receivables, payables and transfers

The Delinquent Tax Enterprise fund has made long-term advances to the Building and Grounds Internal Service fund in the amount of \$61,669.

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

In addition, the Child Care Special Revenue fund and certain nonmajor governmental funds with negative balances in the County's pooled cash accounts of \$286,154 and \$800,665, respectively, reported interfund payables, which are equal to the interfund receivables of \$ 1,070,613 and \$16,206 reported in the General fund and Revenue Sharing Reserve Special Revenue fund, respectively.

Interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. At December 31, 2005, due to/due from other funds consisted of the following:

	<u>Receivable</u>	<u>Payable</u>
Due from/to other funds:		
General Fund	\$ 2,720	\$ -
Building Authority Refunding	-	116,667
Non-major Governmental Funds	118,480	4,533
	<u>\$ 121,200</u>	<u>\$ 121,200</u>

For the year ended December 31, 2005, interfund transfers consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 4,974,613	\$ 5,647,261
Health Department	840,145	25,000
Revenue Sharing Reserve	-	2,623,427
Child Care	2,737,278	-
Non-major Governmental Funds	2,268,733	208,596
Internal Service Funds	65,955	393,431
Medical Care Facility	-	168,333
Delinquent Tax Revolving Fund	-	1,600,000
Nonmajor Enterprise Fund	-	220,676
	<u>\$ 10,886,724</u>	<u>\$ 10,886,724</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

G. Capital Leases

The government has entered into two lease agreements for financing the acquisition of phone equipment and five vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases in governmental activities are as follows:

Capital asset:	
Equipment and furniture	\$ 321,482
Vehicles	67,000
Less accumulated depreciation for:	
Equipment and furniture	(20,100)
Vehicles	<u>(68,889)</u>
Total	<u>\$ 299,493</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2005, were as follows:

Year Ending December 31

2006	\$ 71,085
2007	71,086
2008	57,467
2009	52,926
2010	52,926
2011	<u>39,695</u>
Total minimum lease payments	345,185
Less: amount representing interest	<u>(35,855)</u>
Present value of minimum lease payments	<u>\$ 309,330</u>

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

H. Long-term debt

Primary government

Governmental activities

General obligation bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. No general obligation bonds were issued during the current year.

General obligation bonds are direct obligations and pledge the full faith and credit of the County. These bonds are typically issued as 10-20 year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Installments</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities: County Building Authority – \$2,375,000 and \$11,190,000 issues for Buildings	\$805,000 to 2,073,283	3.95 to 5.20%	<u>\$ 8,481,241</u>

Annual debt service requirements to maturity for governmental activities general obligation bonds are as follows:

Year Ending December 31,	Principal	Interest	Total
2006	\$ 650,086	\$ 322,685	\$ 972,771
2007	676,462	290,269	966,731
2008	532,164	260,165	792,329
2009	559,711	232,914	792,625
2010	593,286	204,095	797,381
2011-2015	3,194,532	846,286	4,040,818
2016-2018	2,275,000	175,125	2,450,125
	<u>\$ 8,481,241</u>	<u>\$ 2,331,539</u>	<u>\$ 10,812,780</u>

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

Business-type activities

Delinquent tax notes. The government issues delinquent tax notes to finance the purchase of delinquent real property taxes receivable from each taxing district in the County. These notes are reported in the proprietary funds (i.e., Delinquent Tax Revolving Internal Service Fund) as they are expected to be repaid from proprietary fund revenues. Each series of delinquent tax notes are subject to variable interest rates which are determined on a weekly basis by the County's remarketing agent using established criteria and legal limitations. Principal and interest payments are predicated upon actual collections of delinquent property taxes, which are subject to collection over a period not to exceed three years. Delinquent tax notes outstanding at December 31, 2005, are as follows:

<u>Series</u>	<u>Amount</u>
2005 - \$5,400,000 G.O. Limited Tax Notes payable, dated May 18, 2005	<u>\$ 500,000</u>

Drain Commission component unit

Notes payable. The Drain Commission issues notes payable for the construction or major maintenance of drainage and lake level districts. Such notes are repaid from special assessments to local property owners.

	<u>Due</u>	<u>Installments</u>	<u>Interest Rate</u>	<u>Amount</u>
Various drain and lake level notes payable	2004-2013	\$125,850 to \$423,475	Various	<u>\$ 1,957,296</u>

Annual debt service requirements to maturity for drain notes are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 441,288	\$ 57,664	\$ 488,568
2007	334,179	39,688	373,867
2008	214,379	23,736	238,115
2009	393,016	101,141	494,157
2010	219,767	38,297	250,064
2011-2013	354,667	79,157	433,824
	<u>\$ 1,957,296</u>	<u>\$ 339,683</u>	<u>\$ 2,296,979</u>

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

Road Commission component unit

Michigan Department of Transportation bonds. The Road Commission borrows from the Michigan Transportation Bond Fund to finance various capital projects.

	<u>Due</u>	<u>Interest Rate</u>	<u>Amount</u>
Michigan Transportation Fund Bonds:			
1996 Series	2006	4% to 6%	\$ 75,000
1997 Series	2006	6%	45,000
1998 Series	2008	4.15%	140,000
2002 A and B Series	2012	3.15% to 6.15%	935,000
2003 Series	2013	3.25% to 4%	725,000
2005 Series	2015	3.00% to 4.05%	650,000
			<u>\$ 2,570,000</u>

Leases payable. The Road Commission has outstanding machinery and equipment capital leases. The current principal balance of \$383,946 is payable in semi-annual installments of \$134,031, with interest at 4.50%, maturing 2007.

Contracts payable. The Road Commission has two contracts payable for building and land, and for sewer construction costs. These contracts are repayable at 6% and 3% interest rates through 2006, and amounted to \$289,343 at December 31, 2005.

Annual debt service requirements to maturity for Michigan Department of Transportation bonds, notes payable and leases, are as follows:

Year ending December 31,	<u>Bonds</u>		<u>Installment Leases</u>		<u>Contracts</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 405,000	\$ 98,822	\$ 252,985	\$ 15,075	\$ 277,783	\$ 680	\$ 935,768	\$ 114,577
2007	305,000	80,363	130,961	3,070	11,560	350	447,521	83,783
2008	315,000	69,177	-	-	-	-	315,000	69,177
2009	280,000	57,388	-	-	-	-	280,000	57,388
2010	290,000	46,903	-	-	-	-	290,000	46,903
2011-2015	975,000	76,362	-	-	-	-	975,000	76,362
	<u>\$ 2,570,000</u>	<u>\$ 429,015</u>	<u>\$ 383,946</u>	<u>\$ 18,145</u>	<u>\$ 289,343</u>	<u>\$ 1,030</u>	<u>\$ 3,243,289</u>	<u>\$ 371,828</u>

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

Board of Public Works Component Unit

The Board of Public Works (BPW) works through the County and issues general obligation bonds to finance water and sewer infrastructure projects, which are administered by BPW. These bonds are direct obligations and pledge the full faith and credit of the County and the benefiting municipalities.

Annual debt service requirements to maturity for BPW bonds are as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 810,000	\$ 521,259
2007	840,000	493,462
2008	870,000	464,691
2009	890,000	434,720
2010	980,000	403,401
2011-2015	4,225,000	1,489,687
2016-2020	3,695,000	562,274
2021-2025	700,000	154,216
2026-2030	575,000	80,244
2031-2032	250,000	9,750
	<u>\$ 13,835,000</u>	<u>\$ 4,613,703</u>

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

Changes in long-term debt.

Long-term debt liability activity for the year ended December 31, 2005, was as follows:

	Balance January 1, 2005	Additions	Deletions	Balance December 31, 2005	Due in One Year
<u>Governmental activities</u>					
General obligation bonds	\$ 9,089,270	\$ -	\$ 608,029	\$ 8,481,241	\$ 650,086
Lease purchase agreements	366,231	-	56,901	309,330	59,330
Compensated absences	1,481,027	2,674,751	2,652,004	1,503,774	1,503,774
	\$ 10,936,528	\$ 2,674,751	\$ 3,316,934	\$ 10,294,345	\$ 2,213,190
<u>Business-type activities</u>					
General obligation limited tax notes payable	\$ 450,000	\$ 5,400,000	\$ 5,350,000	\$ 500,000	\$ 500,000
<u>Drain Commission component unit</u>					
Drain notes payable	\$ 1,705,735	\$ 388,890	\$ 299,429	\$ 1,795,196	\$ 434,288
Lake level notes payable	137,000	26,100	1,000	162,100	7,000
	\$ 1,842,735	\$ 414,990	\$ 300,429	\$ 1,957,296	\$ 441,288
<u>Road Commission component unit</u>					
Michigan Transportation fund bond:	\$ 2,275,000	\$ 650,000	\$ 355,000	\$ 2,570,000	\$ 405,000
Contracts payable	276,543	12,800	-	289,343	277,783
Installment lease payable	625,473	-	241,527	383,946	252,985
	\$ 3,177,016	\$ 662,800	\$ 596,527	\$ 3,243,289	\$ 935,768
<u>Board of Public Works component unit</u>					
Bonds payable	\$ 13,355,000	\$ 1,260,000	\$ 780,000	\$ 13,835,000	\$ 810,000

For the governmental activities, compensated absences are generally liquidated by the general fund.

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

IV. OTHER INFORMATION

A. Risk Management / Self-Insurance Programs

The government manages its risk exposures and provides certain employee benefits through a combination of self-insurance programs, risk management pools and commercial insurance and excess coverage policies. On risks that are commercially insured, settlements have not exceeded insurance coverage in any of the past three years. Following is a summary of the self-insurance programs and risk management pool participation.

Liability. The County participates in the Michigan Municipal Risk Management Authority (MMRMA) for general and automobile liability, motor vehicle physical damage and property damage coverages. The MMRMA provides risk management, underwriting, reinsurance and claim review and processing services for all member governments pursuant to its charter.

The government makes annual contributions to MMRMA based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from an internal service fund (i.e., the Insurance fund) using premiums paid into it by the general fund of the government. Such contributions as received by MMRMA are allocated between the general and member retention funds. Economic resources in the MMRMA's general fund are expended for reinsurance coverage, claim payments and certain general and administrative costs, whereas resources in the member retention fund are used for loss payments and defense costs up to the members self-insured retention limits along with certain other member-specific costs.

Under most circumstances, the County's maximum loss retention per occurrence was as follows:

<u>Type of Risk</u>	<u>Maximum Retention Per Occurrence</u>
General and automobile liability	\$75,000
Motor vehicle physical damage	\$16,000 per vehicle \$31,000 per occurrence
Property damage	\$11,000

The County had estimated claims payable of \$324,425 at December 31, 2005. In addition, the County had accumulated a deficit of \$430 in its retention account with MMRMA, which is recorded in accounts payable at year end.

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

Changes in the balances of the County's estimated claims payable during the past two years are as follows:

	<u>2005</u>	<u>2004</u>
Unpaid claims, beginning of year	\$ 196,603	\$ 142,121
Incurred claims (including IBNR's)	898,980	718,773
Claim payments	<u>(771,158)</u>	<u>(664,291)</u>
Unpaid claims, end of year	<u>\$ 324,425</u>	<u>\$ 196,603</u>

Employee Benefits. The government maintains a self-insurance program for employee health care coverage which is accounted for in an internal service fund (i.e., the Employee Benefits fund). The program is administered by a third party administrator who provides claims review and processing services. Premiums are paid into the internal service fund by all other funds based on actuarial and management estimates. These premiums are available to pay health care claims, claim reserves, excess coverage and administrative costs as well as to purchase dental and life insurance coverage from commercial carriers and to reimburse the State for unemployment benefits paid.

Health care liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. An excess coverage insurance policy covers annual individual claims in excess of \$75,000. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors.

Changes in the balances of health care claims liabilities during the past two years are as follows:

	<u>2005</u>	<u>2004</u>
Unpaid claims, beginning of year	\$ 234,515	\$ 198,832
Incurred claims (including IBNR's)	5,184,759	4,038,899
Claim payments	<u>(5,138,930)</u>	<u>(4,003,216)</u>
Unpaid claims, end of year	<u>\$ 280,344</u>	<u>\$ 234,515</u>

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

Workers' Compensation. The government maintains a self-insurance program for workers' compensation coverage which is accounted for in an internal service fund (i.e., the Workers' Compensation fund). The program is administered by a third party administrator who conducts safety inspections and provides claims review and processing services. Premiums are paid into the internal service fund by all other funds based on payrolls and job classifications and are available to pay claims, claim reserves, excess coverage and administrative costs.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. An excess coverage insurance policy covers individual claims in excess of \$350,000 subject to an annual aggregate limit of \$1 million. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Changes in the balances of claims liabilities during the past two years are as follows:

	<u>2005</u>	<u>2004</u>
Unpaid claims, beginning of year	\$ 252,344	\$ 84,804
Incurred claims (including IBNR's)	236,228	314,205
Claim payments	<u>(210,571)</u>	<u>(146,665)</u>
Unpaid claims, end of year	<u>\$ 278,001</u>	<u>\$ 252,344</u>

Sick and Accident. The government maintains a self-insurance program to provide certain sick and accident benefits to full-time employees for disabilities resulting from non-employment related activities. The program, which is accounted for in an internal service fund (i.e., the Sick and Accident fund), is administered by a third party administrator who provides claims review and processing services. Premiums are paid into the internal service fund by all other funds based on payrolls and are available to pay claims, claim reserves and administrative costs.

Liabilities, including an amount for claims that have been incurred but not reported, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The government's calculation of such liabilities indicated an amount that would be immaterial to the accompanying financial statements; therefore, no liabilities for sick and accident benefits were recorded at year end.

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

Changes in the balances of claims liabilities during the past two years are as follows:

	<u>2005</u>	<u>2004</u>
Unpaid claims, beginning of year	\$ -	\$ -
Incurred claims	238,508	268,811
Claim payments	<u>(238,508)</u>	<u>(268,811)</u>
Unpaid claims, end of year	<u>\$ -</u>	<u>\$ -</u>

The Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool ("Pool") established pursuant to the laws of the State of Michigan which authorizes contracts between municipal corporations (interlocal agreements) to form group self-insurance pools, and to prescribe conditions to the performance of these contracts.

The Michigan County Road Commission Self-Insurance Pool was established for the purpose of making a self-insurance pooling program available for Michigan County Road Commissions, which includes, but is not limited to, general liability coverages, auto liability coverages, property insurance coverages, stop loss insurance protection, claims administration, and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

The Calhoun County Road Commission pays an annual premium to the Pool for property (buildings and grounds) coverage, automobile liability, errors or omissions liability and bodily injury, property damage and personal injury liability. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board.

The Road Commission is also self-insured for workers' compensation as a member of the County Road Association Worker's Compensation Fund.

In the past three years, there have been no reductions in coverages, nor have settlements exceeded coverages. Management of the Road Commission believes that losses, if any, in excess of Insurance Pool coverages would not be material to the financial position of the Road Commission.

The Road Commission continues to carry commercial insurance for employee health and accident insurance.

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

B. Property taxes

Public Act 357 of 2004 provides a funding mechanism to serve as a substitute to county revenue sharing payments. This substitute funding mechanism involves a gradual shift of county property tax millage from a winter tax levy to a summer tax levy and additionally, required the establishment of a restricted fund known as the Revenue Sharing Reserve Fund.

Through 2004, the County property tax was levied each December 1 on the taxable valuation of property located in the County as of the preceding December 31. On December 1, the property tax assessments were an enforceable lien on property and were payable by the last day of the following February. Assessed values are established annually by the County and are equalized by the County and by the State of Michigan at an estimated 50% of current market value.

The assessed and taxable value of real and personal property for the 2004 levy, for which revenue was recognized in 2005, was \$3,228,413,000. The general operating tax rate for this levy was 5.3779 mills with an additional 0.7452 mills and 0.2482 mills assessed for Senior Services and Medical Care Facility operations, respectively.

C. Employee retirement systems and plans

Defined Contribution Pension Plan - Primary Government

Substantially all of the government's full-time employees are eligible to participate in one of two defined contribution pension plans, as established by Board policy and labor agreements. Required government contributions to the pension plans are at various rates based on Board policy and labor agreements with the various bargaining units. The Calhoun County Board of Commissioners established both plans and may amend them and the related contribution requirements, subject to the County's various collective bargaining agreements. The plans are administered and the assets are in the custody of third-party insurance companies.

The government's contributions for each employee, and interest allocated to an employee's account, are fully vested after five years of service, except for Sheriff Department employees who are fully vested after ten years. Employee contributions are fully vested at the time of contribution. Employer contributions and allocated interest for employees who leave employment before full vesting are used to reduce the employer current-period contribution requirement. All required employer contributions were made as disclosed below:

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

	General County Kemper/Scudder	Medical Care Facility Kemper/Pert	Total
Required and actual employer contributions	\$ 479,861	\$ 104,411	\$ 584,272
Required and actual employee contributions	807,841	173,026	980,867

Defined Benefit Pension Plans – Primary Government

Plan Description – General

Substantially all of the government's full-time employees, other than Sheriff Supervisory and Non-Supervisory Unions, are eligible to participate in a defined benefit plan, as established by the Board during 2001. The Calhoun County Defined Benefit Plan provides retirement and death benefits to plan members and beneficiaries. The plan is administered by the County and is a single-employer plan. The plan financial statements are part of this report. A separate, stand-alone report is not issued.

Funding Policy

The County is required to contribute at an actuarially determined rate; the current rate for the County is 5.23% of annual covered payroll. All participating employees are required to contribute 6.00% of their annual salary. Administrative costs of the plan are financed through investment earnings. The benefit provisions and contribution requirements of the County and of plan members are established by and may be amended by the Board of Commissioners.

For the year ended December 31, 2005, the annual pension cost of \$519,753 was equal to the required and actual contributions of the County. The required contributions were determined as part of the December 31, 2003 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5%, (b) projected salary increase of 4.0% per year compounded annually, attributable to inflation, (c) additional projected salary increases of 2.5% for employees with less than 10 years of service and 1.5% for employees with 10 or more years of service, attributable to seniority/merit. The actuarial value of plan assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The County's unfunded actuarial accrued liability is being amortized over a period of 30 years as a level percentage of projected payroll on an open basis. The latest actuarial valuation was performed as of December 31, 2004.

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

Membership of the plan consisted of the following at December 31, 2004, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	25
Terminated plan members entitled to but not yet receiving benefits	12
Active plan members	<u>241</u>
Total	<u>278</u>

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/01	\$ 491,742	\$ 8,674,697	\$ 8,182,955	6%	\$ 7,318,499	112%
12/31/02	1,369,971	9,749,812	8,379,841	14	7,589,164	110
12/31/03	2,249,674	10,902,589	8,652,915	21	8,566,899	101
12/31/04	3,311,607	11,507,084	8,195,477	29	9,358,934	88

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost	Annual Required Contribution	Percentage Contributed	Net Pension Obligation
12/31/02	\$ 470,354	\$ 470,354	100%	\$ -
12/31/03	509,186	509,186	100	-
12/31/04	532,818	532,818	100	-
12/31/05	519,753	519,753	100	-

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

Plan Description - MERS

Both the Sheriff Supervisory and Non-Supervisory Unions are eligible to participate in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer, defined benefit pension plan. The System is administered by the MERS retirement board. MERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, MI 48917, or by calling (800) 767-6377.

Funding Policy

The County is required to contribute at an actuarially determined rate; the current rate for the County is 7% of annual covered payroll for each employee group. All participating employees are required to contribute between 11.95% and 20.69% percent of their annual salary. The contribution requirements of the County are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the County Board of Commissioners, depending on the MERS contribution program adopted by the County.

For the year ended December 31, 2005, the annual pension cost of \$586,510 was equal to the required and actual contributions of the County. The required contributions were determined as part of the December 31, 2003 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increase of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases of 0.0% to 8.40% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5% per year after retirement for certain retirees depending on the benefit option selected. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The County's unfunded actuarial accrued liability is being amortized over a period of 30 years as a level percentage of projected payroll on an open basis. The latest actuarial valuation was performed as of December 31, 2004.

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
12/31/03	\$ 457,380	\$ 457,380	100%	\$ -
12/31/04	466,928	466,928	100	-
12/31/05	586,510	586,510	100	-

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age</u>	<u>Unfunded Actuarial Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/01	\$ 2,940,286	\$ 12,485,477	\$ 9,545,191	24%	\$5,433,032	176%
12/31/02	3,814,840	13,446,334	9,631,494	28	5,958,142	162
12/31/03	5,121,803	15,304,431	10,182,628	33	6,670,421	153
12/31/04	6,373,913	16,395,271	10,021,358	39	6,713,373	149

Defined Benefit Pension Plan - Road Commission

Plan Description

The Road Commission's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Road Commission participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the Retirement Board of MERS. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917, or by calling (800) 767-6377.

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

Funding Policy

The Road Commission is required to contribute at an actuarially determined rate; the current rate is 15.3% to 18.6% of annual covered payroll. Certain employees are currently not required to contribute to the Plan. The contribution requirements of the Road Commission are established by Act No. 427 of the Public Acts of 1984, as amended, and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the Road Commission.

Annual Pension Cost

For the year ended December 31, 2005, the Road Commission's annual pension cost of \$528,560 for MERS was equal to the Road Commission's required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increase of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 8.4% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The Road Commission's unfunded actuarial accrued liability as of December 31, 2004, the date of the latest actuarial valuation, is being amortized as a level percentage of projected payroll on an open basis over 27 years.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
12/31/03	\$ 476,042	\$ 476,042	100%	-
12/31/04	485,364	485,364	100	-
12/31/05	528,560	528,560	100	-

COUNTY OF CALHOUN, MICHIGAN

Notes to the Financial Statements

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/02	\$ 5,116,348	\$ 9,213,557	\$ 4,097,209	56%	\$ 3,125,496	131%
12/31/03	5,637,315	9,860,393	4,223,078	57	2,953,201	143
12/31/04	6,103,478	10,561,802	4,458,324	58	3,226,726	138

D. Contingent Liabilities

Amounts received or receivable from grantor agencies and health care intermediaries including Medicare and Medicaid are subject to audit and adjustment by the grantor agencies or intermediaries. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors or intermediaries cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The government and its component units, individually or jointly, are a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government and component unit's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

E. Restatements

The beginning fund balance/net assets of the nonmajor governmental funds and Government-Wide Governmental Activities were increased by \$103,334 to properly accrue revenue earned in a prior period.

The beginning net assets of the Road Commission were increased by \$12,638 to properly state certain capital assets.

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INDIVIDUAL FUND STATEMENTS

COUNTY OF CALHOUN, MICHIGAN
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2005

	Special Revenue Funds	Debt Service Funds	Permanent Fund Cemetery Perpetual Care	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Assets				
Cash and cash equivalents	\$ 1,863,698	\$ 13,000	\$ -	\$ 1,876,698
Investments	-	-	36,719	36,719
Receivables:				
Accounts, net	132,674	-	-	132,674
Current taxes	9,995	-	-	9,995
Delinquent taxes	222	23,557	-	23,779
Accrued interest	1,371	-	1,734	3,105
Due from other governmental units	1,309,720	-	-	1,309,720
Due from other funds	1,813	116,667	-	118,480
Prepaid items	5,312	-	-	5,312
<u>TOTAL ASSETS</u>	<u>\$ 3,324,805</u>	<u>\$ 153,224</u>	<u>\$ 38,453</u>	<u>\$ 3,516,482</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	\$ 507,573	\$ -	\$ -	\$ 507,573
Accrued payroll	76,753	-	-	76,753
Due to other governmental units	65,000	-	-	65,000
Due to other funds	4,533	-	-	4,533
Interfund payable	800,665	-	-	800,665
Deferred revenue	106,238	23,441	-	129,679
Total liabilities	<u>1,560,762</u>	<u>23,441</u>	<u>-</u>	<u>1,584,203</u>
Fund balances				
Reserved for prepaid items	5,312	-	-	5,312
Unreserved, undesignated	1,758,731	129,783	38,453	1,926,967
Total fund balances	<u>1,764,043</u>	<u>129,783</u>	<u>38,453</u>	<u>1,932,279</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 3,324,805</u>	<u>\$ 153,224</u>	<u>\$ 38,453</u>	<u>\$ 3,516,482</u>

COUNTY OF CALHOUN, MICHIGAN
Combining Statement of Revenue, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2005

	Special Revenue Funds	Debt Service Funds	Permanent Fund Cemetery Perpetual Care	Total Nonmajor Governmental Funds
Revenue				
Taxes	\$ 887,414	\$ 5,257	\$ -	\$ 892,671
Licenses and permits	14,980	-	-	14,980
Intergovernmental	5,063,975	-	-	5,063,975
Charges for services	643,245	-	-	643,245
Fines and forfeitures	32,266	-	-	32,266
Interest and rentals	29,450	372	1,243	31,065
Other	832,865	-	-	832,865
Total revenue	7,504,195	5,629	1,243	7,511,067
Expenditures				
Current:				
Judicial	3,414,635	-	-	3,414,635
Public safety	3,202,989	-	-	3,202,989
Health and welfare	655,873	-	-	655,873
Recreation and cultural	1,200,254	-	-	1,200,254
Other	-	4,679	792	5,471
Debt service:				
Principal	-	608,029	-	608,029
Interest	-	354,680	-	354,680
Capital outlay	574,329	-	-	574,329
Total expenditures	9,048,080	967,388	792	10,016,260
Revenue over (under) expenditures	(1,543,885)	(961,759)	451	(2,505,193)
Other financing sources (uses)				
Proceeds from sale of capital assets	45,000	-	-	45,000
Transfers in	1,292,692	976,041	-	2,268,733
Transfers (out)	(208,596)	-	-	(208,596)
Total other financing sources (uses)	1,129,096	976,041	-	2,105,137
Net change in fund balances	(414,789)	14,282	451	(400,056)
Fund balance, beginning of year, as restated	2,178,832	115,501	38,002	2,332,335
Fund balance, end of year	\$ 1,764,043	\$ 129,783	\$ 38,453	\$ 1,932,279

NONMAJOR SPECIAL REVENUE FUNDS

Description of Funds
Combining Financial Statements
Individual Fund Financial Statements

NONMAJOR SPECIAL REVENUE FUNDS

Friend of the Court -- This fund is used to account for mediation services regarding custody or visitation rights to parties involved in divorce. This fund is also used to account for grant revenues that are specifically restricted to the provision of Child Support Services. Financing is provided by State and Federal sources and a County appropriation.

County Special Projects -- This fund is used to account for the costs of special projects and is funded by transfers from the General fund.

Accommodations Tax -- This fund is used to account for a collection of a ten percent hotel/motel room tax. Board of Commissioner's resolutions allocate a portion of these revenues to promote tourism and convention business. State law limits the use of hotel/motel accommodation tax revenue to the development and promotion of convention and entertainment facilities.

Solid Waste Management -- This fund is used to account for costs related to a planning grant for solid waste and recycling management.

Family Counseling -- This fund is used to account for the operations of a family counseling service. Financing is provided by marriage license fees.

Parks -- This fund is used to account for certain operations and maintenance of County owned parks and facilities.

Remonumentation -- This fund is used to account for the operations of the State-funded remonumentation grant and Board designated fees for enhancement of the County's remonumentation initiative.

Register of Deeds Automation -- This fund is used to account for fees collected that are restricted by law to be used for technology upgrades with the Register of Deeds Department.

Clerk -- This fund is used to account for the operations of the County Clerk's Byrne Memorial grant.

Emergency 911 -- This fund is used to account for the operations of the emergency telephone and dispatch system. Financing is provided through a County-wide surcharge.

Sheriff -- This fund is used to account for the office of the Sheriff special operations and related grant funds.

Emergency Management -- This fund is used to account for various Homeland Security Grants.

NONMAJOR SPECIAL REVENUE FUNDS

CONCLUDED

Law Library -- This fund is used to record revenues provided for the maintenance of a law library. Money for the operation of this fund is from the statutory transfer of penal fines.

Community Corrections -- This fund is used to account for the County's community corrections program. This program is State funded.

Juvenile Justice Grants -- This fund is used to account for the Juvenile Delinquency Prevention Initiative Grant.

Community Corrections State Office -- This fund is used to account for activities under a grant for special community corrections initiatives.

Prosecutor -- This fund is used to account for the Prosecutor's special operations and related grant funds.

MSU Cooperative Extension -- This fund is used to account for the various programs sponsored by MSU.

Human Services -- This fund is used to account for funds which are provided by County, State, and Federal governments to administer the human services department, assist eligible recipients, and to administer various State and Federal human services programs.

Soldiers' Relief -- This fund is used to account for funds provided by a tax levy for indigent veterans.

Veterans' Trust -- This fund is used to account for revenue set aside for aid to veterans. Funding is provided by the State of Michigan.

COUNTY OF CALHOUN, MICHIGAN
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2005

	(215) Friend of the Court	(228) County Special Projects	(229) Accommodations Tax	(230) Solid Waste Management
<u>ASSETS</u>				
Assets				
Cash and cash equivalents	\$ -	\$ 85,709	\$ 68,938	\$ 644,366
Receivables:				
Accounts, net	53	-	45,328	35,531
Current taxes	-	-	-	-
Delinquent taxes	-	-	-	-
Accrued interest	-	-	-	1,371
Due from other governmental units	561,534	-	-	-
Due from other funds	-	1,813	-	-
Prepaid items	-	-	-	-
<u>TOTAL ASSETS</u>	\$ 561,587	\$ 87,522	\$ 114,266	\$ 681,268
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	\$ 11,991	\$ 329	\$ 109,733	\$ 27,823
Accrued payroll	54,418	-	-	-
Due to other governmental units	-	-	-	-
Due to other funds	-	-	4,533	-
Interfund payable	436,511	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	502,920	329	114,266	27,823
Fund balances (deficits)				
Reserved for prepaid items	-	-	-	-
Unreserved, undesignated	58,667	87,193	-	653,445
Total fund balances (deficits)	58,667	87,193	-	653,445
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	\$ 561,587	\$ 87,522	\$ 114,266	\$ 681,268

(236) Family Counseling	(243) Parks	(245) Remon- umentation	(256) Register of Deeds Automation	(260) Clerk	(264) Emergency 911
\$ -	\$ 1,826	\$ 190,097	\$ 312,418	\$ 3,551	\$ 248,531
219	-	-	-	-	48,128
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
146,809	-	-	-	-	54,607
-	-	-	-	-	-
-	-	-	-	-	-
\$ 147,028	\$ 1,826	\$ 190,097	\$ 312,418	\$ 3,551	\$ 351,266
\$ 7,555	\$ 48,817	\$ -	\$ 28,254	\$ -	\$ 158,771
3,769	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
75,964	-	-	-	-	-
4,151	-	-	-	-	548
91,439	48,817	-	28,254	-	159,319
-	-	-	-	-	-
55,589	(46,991)	190,097	284,164	3,551	191,947
55,589	(46,991)	190,097	284,164	3,551	191,947
\$ 147,028	\$ 1,826	\$ 190,097	\$ 312,418	\$ 3,551	\$ 351,266

(continued...)

COUNTY OF CALHOUN, MICHIGAN
Combining Balance Sheet
Nonmajor Special Revenue Funds (Continued)
December 31, 2005

	(265) Sheriff	(266) Emergency Management	(269) Law Library	(273) Community Corrections
<u>ASSETS</u>				
Assets				
Cash and cash equivalents	\$ 98,605	\$ -	\$ 19,406	\$ -
Receivables:				
Accounts, net	-	-	-	-
Current taxes	-	-	-	-
Delinquent taxes	-	-	-	-
Accrued interest	-	-	-	-
Due from other governmental units	82,748	204,403	-	33,424
Due from other funds	-	-	-	-
Prepaid items	-	-	-	-
<u>TOTAL ASSETS</u>	\$ 181,353	\$ 204,403	\$ 19,406	\$ 33,424
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	\$ 17,442	\$ 16,456	\$ 2,618	\$ 368
Accrued payroll	4,477	-	-	3,422
Due to other governmental units	-	-	-	-
Due to other funds	-	-	-	-
Interfund payable	-	187,947	-	12,289
Deferred revenue	52,950	-	-	-
Total liabilities	74,869	204,403	2,618	16,079
Fund balances (deficits)				
Reserved for prepaid items	-	-	-	-
Unreserved, undesignated	106,484	-	16,788	17,345
Total fund balances (deficits)	106,484	-	16,788	17,345
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	\$ 181,353	\$ 204,403	\$ 19,406	\$ 33,424

(274) Juvenile Justice Grant	(277) Community Corrections State Office	(281) Prosecutor	(289) MSU Coop. Ext.	(290) Human Services
\$ -	\$ -	\$ -	\$ 1,608	\$ 166,740
-	-	1,083	2,332	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	104,643	121,552	-	-
-	-	-	-	-
-	-	5,312	-	-
<hr/>				
\$ -	\$ 104,643	\$ 127,947	\$ 3,940	\$ 166,740
<hr/>				
\$ -	\$ 67,071	\$ 6,873	\$ 3,472	\$ -
-	-	10,667	-	-
-	-	-	-	65,000
-	-	-	-	-
-	37,572	50,382	-	-
-	-	37,710	-	-
-	104,643	105,632	3,472	65,000
<hr/>				
-	-	5,312	-	-
-	-	17,003	468	101,740
-	-	22,315	468	101,740
<hr/>				
\$ -	\$ 104,643	\$ 127,947	\$ 3,940	\$ 166,740
<hr/>				

(continued...)

COUNTY OF CALHOUN, MICHIGAN
Combining Balance Sheet
Nonmajor Special Revenue Funds (Concluded)
December 31, 2005

	(293) Soldiers' Relief	(294) Veterans' Trust	Totals
<u>ASSETS</u>			
Assets			
Cash and cash equivalents	\$ 17,430	\$ 4,473	\$ 1,863,698
Receivables:			
Accounts, net	-	-	132,674
Current taxes	9,995	-	9,995
Delinquent taxes	222	-	222
Accrued interest	-	-	1,371
Due from other governmental units	-	-	1,309,720
Due from other funds	-	-	1,813
Prepaid items	-	-	5,312
	<hr/>	<hr/>	<hr/>
<u>TOTAL ASSETS</u>	\$ 27,647	\$ 4,473	\$ 3,324,805
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts payable	\$ -	\$ -	\$ 507,573
Accrued payroll	-	-	76,753
Due to other governmental units	-	-	65,000
Due to other funds	-	-	4,533
Interfund payable	-	-	800,665
Deferred revenue	10,879	-	106,238
Total liabilities	<hr/> 10,879	<hr/> -	<hr/> 1,560,762
	<hr/>	<hr/>	<hr/>
Fund balances (deficits)			
Reserved for prepaid items	-	-	5,312
Unreserved, undesignated	16,768	4,473	1,758,731
Total fund balances (deficits)	<hr/> 16,768	<hr/> 4,473	<hr/> 1,764,043
	<hr/>	<hr/>	<hr/>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	\$ 27,647	\$ 4,473	\$ 3,324,805
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

COUNTY OF CALHOUN, MICHIGAN
Combining Statement of Revenue, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005

	(215) Friend of the Court	(228) County Special Projects	(229) Accommodations Tax	(230) Solid Waste Management
Revenue				
Taxes	\$ -	\$ -	\$ 877,182	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	2,061,361	-	-	-
Charges for services	67,714	-	-	161,427
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	17,715
Other	-	-	-	-
Total revenue	2,129,075	-	877,182	179,142
Expenditures				
Current:				
Judicial	3,398,539	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	187,624
Recreation and cultural	-	3,876	793,271	-
Capital outlay	95,427	-	-	-
Total expenditures	3,493,966	3,876	793,271	187,624
Revenue over (under) expenditures	(1,364,891)	(3,876)	83,911	(8,482)
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	944,584	33,564	-	-
Transfers (out)	(50,000)	(10,000)	(83,911)	-
Total other financing sources (uses)	894,584	23,564	(83,911)	-
Net change in fund balances	(470,307)	19,688	-	(8,482)
Fund balance (deficit), beginning of year	528,974	67,505	-	661,927
Fund balance (deficit), end of year	\$ 58,667	\$ 87,193	\$ -	\$ 653,445

(236) Family Counseling	(243) Parks	(245) Remon- umentation	(256) Register of Deeds Automation	(260) Clerk	(264) Emergency 911
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14,980	-	-	-	-	-
332,520	-	145,161	-	-	-
-	100,258	-	177,965	-	11,340
-	-	-	-	-	-
-	54	-	8,948	-	-
10,030	3,108	63,568	-	-	726,451
357,530	103,420	208,729	186,913	-	737,791
-	-	-	-	-	-
347,311	-	-	-	-	800,768
3,773	-	-	-	-	-
-	129,832	129,009	121,294	548	-
4,623	-	3,410	72,279	-	-
355,707	129,832	132,419	193,573	548	800,768
1,823	(26,412)	76,310	(6,660)	(548)	(62,977)
-	45,000	-	-	-	-
-	-	30,000	-	-	-
(10,000)	-	(54,685)	-	-	-
(10,000)	45,000	(24,685)	-	-	-
(8,177)	18,588	51,625	(6,660)	(548)	(62,977)
63,766	(65,579)	138,472	290,824	4,099	254,924
\$ 55,589	\$ (46,991)	\$ 190,097	\$ 284,164	\$ 3,551	\$ 191,947

(continued...)

COUNTY OF CALHOUN, MICHIGAN
Combining Statement of Revenue, Expenditures
and Changes in Fund Balances (Continued)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005

	(265) Sheriff	(266) Emergency Management	(269) Law Library	(273) Community Corrections
Revenue				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	336,843	504,702	-	213,955
Charges for services	73,500	-	-	-
Fines and forfeitures	24,266	-	6,500	-
Interest and rentals	2,726	-	-	-
Other	8,079	-	-	-
Total revenue	445,414	504,702	6,500	213,955
Expenditures				
Current:				
Judicial	-	-	16,096	-
Public safety	429,731	181,962	-	213,955
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	41,080	346,802	-	-
Total expenditures	470,811	528,764	16,096	213,955
Revenue over (under) expenditures	(25,397)	(24,062)	(9,596)	-
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	48,632	24,062	17,500	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	48,632	24,062	17,500	-
Net change in fund balances	23,235	-	7,904	-
Fund balance (deficit), beginning of year	83,249	-	8,884	17,345
Fund balance (deficit), end of year	\$ 106,484	\$ -	\$ 16,788	\$ 17,345

(274) Juvenile Justice Grant		(277) Community Corrections State Office		(281) Prosecutor		(289) MSU Coop. Ext.		(290) Human Services	
\$	-	\$	-	\$	-	\$	-	\$	-
	-		-		-		-		-
	-	409,470		614,981		22,891		396,066	
	-		-		-		-	51,041	
	-		-	1,500			-		-
	-		-		-		-		-
	-		-	19,650			-		-
<hr/>									
	-	409,470		636,131		22,891		447,107	
<hr/>									
	-		-		-		-		-
	-	409,470		819,792			-		-
	-		-		-		-	436,142	
	-		-		-	22,424			-
	-		-	10,708			-		-
<hr/>									
	-	409,470		830,500		22,424		436,142	
<hr/>									
	-		-	(194,369)		467		10,965	
<hr/>									
	-		-		-		-		-
	-		-	194,350			-		-
	-		-		-		-		-
<hr/>									
	-		-	194,350			-		-
<hr/>									
	-		-	(19)		467		10,965	
	-		-	22,334		1		90,775	
<hr/>									
\$	-	\$	-	\$	22,315	\$	468	\$	101,740
<hr/>									

(continued...)

COUNTY OF CALHOUN, MICHIGAN
Combining Statement of Revenue, Expenditures
and Changes in Fund Balances (Concluded)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005

	(293) Soldiers' Relief	(294) Veterans' Trust	Totals
Revenue			
Taxes	\$ 10,232	\$ -	\$ 887,414
Licenses and permits	-	-	14,980
Intergovernmental	-	26,025	5,063,975
Charges for services	-	-	643,245
Fines and forfeitures	-	-	32,266
Interest and rentals	7	-	29,450
Other	1,979	-	832,865
Total revenue	12,218	26,025	7,504,195
Expenditures			
Current:			
Judicial	-	-	3,414,635
Public safety	-	-	3,202,989
Health and welfare	4,774	23,560	655,873
Recreation and cultural	-	-	1,200,254
Capital outlay	-	-	574,329
Total expenditures	4,774	23,560	9,048,080
Revenue over (under) expenditures	7,444	2,465	(1,543,885)
Other financing sources (uses)			
Proceeds from sale of capital assets	-	-	45,000
Transfers in	-	-	1,292,692
Transfers (out)	-	-	(208,596)
Total other financing sources (uses)	-	-	1,129,096
Net change in fund balances	7,444	2,465	(414,789)
Fund balance (deficit), beginning of year	9,324	2,008	2,178,832
Fund balance (deficit), end of year	\$ 16,768	\$ 4,473	\$ 1,764,043

COUNTY OF CALHOUN, MICHIGAN
Friend of the Court
Schedule of Revenue, Expenditures, and
Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005

	Amended Budget	Actual	Over (Under) Budget	2004
Revenue				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	2,356,322	2,061,361	(294,961)	2,000,806
Charges for services	25,751	67,714	41,963	28,411
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other	-	-	-	28
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	2,382,073	2,129,075	(252,998)	2,029,245
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures				
Current:				
Judicial	3,711,238	3,398,539	(312,699)	2,989,970
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	87,815	95,427	7,612	55,329
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	3,799,053	3,493,966	(305,087)	3,045,299
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	(1,416,980)	(1,364,891)	52,089	(1,016,054)
	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	944,584	944,584	-	1,248,646
Transfers (out)	(50,000)	(50,000)	-	(50,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	894,584	894,584	-	1,198,646
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	(522,396)	(470,307)	52,089	182,592
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), beginning of year	528,974	528,974	-	346,382
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), end of year	<u>\$ 6,578</u>	<u>\$ 58,667</u>	<u>\$ 52,089</u>	<u>\$ 528,974</u>

COUNTY OF CALHOUN, MICHIGAN
County Special Projects
Schedule of Revenue, Expenditures, and
Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005

	Amended Budget	Actual	Over (Under) Budget	2004
Revenue				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures				
Current:				
Judicial	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	23,564	3,876	(19,688)	10,879
Capital outlay	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	23,564	3,876	(19,688)	10,879
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	(23,564)	(3,876)	19,688	(10,879)
	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	33,564	33,564	-	35,331
Transfers (out)	(10,000)	(10,000)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	23,564	23,564	-	35,331
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	-	19,688	19,688	24,452
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), beginning of year	67,505	67,505	-	43,053
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), end of year	<u>\$ 67,505</u>	<u>\$ 87,193</u>	<u>\$ 19,688</u>	<u>\$ 67,505</u>

COUNTY OF CALHOUN, MICHIGAN
Accommodations Tax
Schedule of Revenue, Expenditures, and
Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005

	Amended Budget	Actual	Over (Under) Budget	2004
Revenue				
Taxes	\$ 877,182	\$ 877,182	\$ -	\$ 845,196
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	877,182	877,182	-	845,196
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures				
Current:				
Judicial	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	793,271	793,271	-	756,868
Capital outlay	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	793,271	793,271	-	756,868
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	83,911	83,911	-	88,328
	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	(83,911)	(83,911)	-	(88,328)
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(83,911)	(83,911)	-	(88,328)
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), beginning of year	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

COUNTY OF CALHOUN, MICHIGAN
Solid Waste Management
Schedule of Revenue, Expenditures, and
Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005

	Amended Budget	Actual	Over (Under) Budget	2004
Revenue				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	159,900	161,427	1,527	165,454
Fines and forfeitures	-	-	-	-
Interest and rentals	14,391	17,715	3,324	7,664
Other	-	-	-	-
Total revenue	174,291	179,142	4,851	173,118
Expenditures				
Current:				
Judicial	-	-	-	-
Public safety	-	-	-	-
Health and welfare	221,080	187,624	(33,456)	183,059
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	221,080	187,624	(33,456)	183,059
Revenue over (under) expenditures	(46,789)	(8,482)	38,307	(9,941)
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(46,789)	(8,482)	38,307	(9,941)
Fund balance (deficit), beginning of year	661,927	661,927	-	671,868
Fund balance (deficit), end of year	\$ 615,138	\$ 653,445	\$ 38,307	\$ 661,927

COUNTY OF CALHOUN, MICHIGAN
Family Counseling
Schedule of Revenue, Expenditures, and
Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005

	Amended Budget	Actual	Over (Under) Budget	2004
Revenue				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	16,000	14,980	(1,020)	16,790
Intergovernmental	456,343	332,520	(123,823)	250,120
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other	6,000	10,030	4,030	3,428
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	478,343	357,530	(120,813)	270,338
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures				
Current:				
Judicial	-	-	-	-
Public safety	454,813	347,311	(107,502)	230,053
Health and welfare	8,000	3,773	(4,227)	3,957
Recreation and cultural	-	-	-	-
Capital outlay	7,530	4,623	(2,907)	1,751
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	470,343	355,707	(114,636)	235,761
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	8,000	1,823	(6,177)	34,577
	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	(10,000)	(10,000)	-	(10,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(10,000)	(10,000)	-	(10,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	(2,000)	(8,177)	(6,177)	24,577
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), beginning of year	63,766	63,766	-	39,189
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), end of year	<u>\$ 61,766</u>	<u>\$ 55,589</u>	<u>\$ (6,177)</u>	<u>\$ 63,766</u>

COUNTY OF CALHOUN, MICHIGAN
Parks
Schedule of Revenue, Expenditures, and
Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005

	Amended Budget	Actual	Over (Under) Budget	2004
Revenue				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	100,258	100,258	90,761
Fines and forfeitures	-	-	-	-
Interest and rentals	-	54	54	125
Other	-	3,108	3,108	16,025
Total revenue	-	103,420	103,420	106,911
Expenditures				
Current:				
Judicial	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	-	129,832	129,832	106,469
Capital outlay	-	-	-	-
Total expenditures	-	129,832	129,832	106,469
Revenue over (under) expenditures	-	(26,412)	(26,412)	442
Other financing sources (uses)				
Proceeds from sale of capital assets	-	45,000	45,000	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	45,000	45,000	-
Net change in fund balances	-	18,588	18,588	442
Fund balance (deficit), beginning of year	(65,579)	(65,579)	-	(66,021)
Fund balance (deficit), end of year	\$ (65,579)	\$ (46,991)	\$ 18,588	\$ (65,579)

COUNTY OF CALHOUN, MICHIGAN
Remonumentation
Schedule of Revenue, Expenditures, and
Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005

	Amended Budget	Actual	Over (Under) Budget	2004
Revenue				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	130,000	145,161	15,161	119,161
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other	64,000	63,568	(432)	65,351
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	194,000	208,729	14,729	184,512
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures				
Current:				
Judicial	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	198,690	129,009	(69,681)	179,162
Capital outlay	3,410	3,410	-	1,834
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	202,100	132,419	(69,681)	180,996
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	(8,100)	76,310	84,410	3,516
	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	30,000	30,000	-	30,000
Transfers (out)	(54,685)	(54,685)	-	(32,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(24,685)	(24,685)	-	(2,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	(32,785)	51,625	84,410	1,516
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), beginning of year	138,472	138,472	-	136,956
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), end of year	<u>\$ 105,687</u>	<u>\$ 190,097</u>	<u>\$ 84,410</u>	<u>\$ 138,472</u>

COUNTY OF CALHOUN, MICHIGAN
Register of Deeds Automation
Schedule of Revenue, Expenditures, and
Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005

	Amended Budget	Actual	Over (Under) Budget	2004
Revenue				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	150,000	177,965	27,965	182,565
Fines and forfeitures	-	-	-	-
Interest and rentals	-	8,948	8,948	2,300
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	150,000	186,913	36,913	184,865
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures				
Current:				
Judicial	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	318,000	121,294	(196,706)	14,569
Capital outlay	122,824	72,279	(50,545)	2,737
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	440,824	193,573	(247,251)	17,306
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	(290,824)	(6,660)	284,164	167,559
	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	(290,824)	(6,660)	284,164	167,559
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), beginning of year	290,824	290,824	-	123,265
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), end of year	<u>\$ -</u>	<u>\$ 284,164</u>	<u>\$ 284,164</u>	<u>\$ 290,824</u>

COUNTY OF CALHOUN, MICHIGAN
Clerk
Schedule of Revenue, Expenditures, and
Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005

	Amended Budget	Actual	Over (Under) Budget	2004
Revenue				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other	-	-	-	7,079
	-	-	-	-
Total revenue	-	-	-	7,079
Expenditures				
Current:				
Judicial	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	550	548	(2)	2,980
Capital outlay	-	-	-	-
	-	-	-	-
Total expenditures	550	548	(2)	2,980
Revenue over (under) expenditures	(550)	(548)	2	4,099
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(550)	(548)	2	4,099
Fund balance (deficit), beginning of year	4,099	4,099	-	-
Fund balance (deficit), end of year	\$ 3,549	\$ 3,551	\$ 2	\$ 4,099

COUNTY OF CALHOUN, MICHIGAN
Emergency 911
Schedule of Revenue, Expenditures, and
Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005

	Amended Budget	Actual	Over (Under) Budget	2004
Revenue				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	105,000	11,340	(93,660)	83,682
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other	768,325	726,451	(41,874)	721,116
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	873,325	737,791	(135,534)	804,798
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures				
Current:				
Judicial	-	-	-	-
Public safety	909,059	800,768	(108,291)	723,070
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	4,218
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	909,059	800,768	(108,291)	727,288
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	(35,734)	(62,977)	(27,243)	77,510
	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	(35,734)	(62,977)	(27,243)	77,510
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), beginning of year	254,924	254,924	-	177,414
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), end of year	<u>\$ 219,190</u>	<u>\$ 191,947</u>	<u>\$ (27,243)</u>	<u>\$ 254,924</u>

COUNTY OF CALHOUN, MICHIGAN
Sheriff
Schedule of Revenue, Expenditures, and
Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005

	Amended Budget	Actual	Over (Under) Budget	2004
Revenue				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	433,007	336,843	(96,164)	400,370
Charges for services	96,240	73,500	(22,740)	46,470
Fines and forfeitures	17,000	24,266	7,266	3,470
Interest and rentals	-	2,726	2,726	780
Other	8,079	8,079	-	5
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	554,326	445,414	(108,912)	451,095
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures				
Current:				
Judicial	-	-	-	-
Public safety	476,684	429,731	(46,953)	359,151
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	140,487	41,080	(99,407)	146,815
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	617,171	470,811	(146,360)	505,966
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	(62,845)	(25,397)	37,448	(54,871)
	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	48,632	48,632	-	55,583
Transfers (out)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	48,632	48,632	-	55,583
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	(14,213)	23,235	37,448	712
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), beginning of year	83,249	83,249	-	82,537
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), end of year	<u>\$ 69,036</u>	<u>\$ 106,484</u>	<u>\$ 37,448</u>	<u>\$ 83,249</u>

COUNTY OF CALHOUN, MICHIGAN
Emergency Management
Schedule of Revenue, Expenditures, and
Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005

	Amended Budget	Actual	Over (Under) Budget	2004
Revenue				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	686,408	504,702	(181,706)	206,101
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	686,408	504,702	(181,706)	206,101
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures				
Current:				
Judicial	-	-	-	-
Public safety	301,233	181,962	(119,271)	118,585
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	409,237	346,802	(62,435)	87,654
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	710,470	528,764	(181,706)	206,239
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	(24,062)	(24,062)	-	(138)
	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	24,062	24,062	-	138
Transfers (out)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	24,062	24,062	-	138
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), beginning of year	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

COUNTY OF CALHOUN, MICHIGAN
Law Library
Schedule of Revenue, Expenditures, and
Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005

	Amended Budget	Actual	Over (Under) Budget	2004
Revenue				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	6,500	6,500	-	6,500
Interest and rentals	-	-	-	-
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	6,500	6,500	-	6,500
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures				
Current:				
Judicial	31,500	16,096	(15,404)	22,616
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	31,500	16,096	(15,404)	22,616
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	(25,000)	(9,596)	15,404	(16,116)
	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	17,500	17,500	-	25,000
Transfers (out)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	17,500	17,500	-	25,000
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	(7,500)	7,904	15,404	8,884
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), beginning of year	8,884	8,884	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), end of year	<u>\$ 1,384</u>	<u>\$ 16,788</u>	<u>\$ 15,404</u>	<u>\$ 8,884</u>

COUNTY OF CALHOUN, MICHIGAN
Community Corrections
Schedule of Revenue, Expenditures, and
Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005

	Amended Budget	Actual	Over (Under) Budget	2004
Revenue				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	335,397	213,955	(121,442)	220,277
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	335,397	213,955	(121,442)	220,277
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures				
Current:				
Judicial	-	-	-	-
Public safety	335,397	213,955	(121,442)	220,276
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	335,397	213,955	(121,442)	220,276
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	-	-	-	1
	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	-	-	-	1
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), beginning of year	17,345	17,345	-	17,344
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), end of year	<u>\$ 17,345</u>	<u>\$ 17,345</u>	<u>\$ -</u>	<u>\$ 17,345</u>

COUNTY OF CALHOUN, MICHIGAN
Juvenile Justice Grant
Schedule of Revenue, Expenditures, and
Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005

	Amended Budget	Actual	Over (Under) Budget	2004
Revenue				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	12,067
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Total revenue	-	-	-	12,067
Expenditures				
Current:				
Judicial	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	12,067
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
	-	-	-	-
Total expenditures	-	-	-	12,067
Revenue over (under) expenditures	-	-	-	-
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance (deficit), beginning of year	-	-	-	-
Fund balance (deficit), end of year	\$ -	\$ -	\$ -	\$ -

COUNTY OF CALHOUN, MICHIGAN
Community Corrections State Office
Schedule of Revenue, Expenditures, and
Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005

	Amended Budget	Actual	Over (Under) Budget	2004
Revenue				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	423,765	409,470	(14,295)	375,691
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	423,765	409,470	(14,295)	375,691
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures				
Current:				
Judicial	-	-	-	-
Public safety	423,765	409,470	(14,295)	375,691
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	423,765	409,470	(14,295)	375,691
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), beginning of year	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COUNTY OF CALHOUN, MICHIGAN
Prosecutor
Schedule of Revenue, Expenditures, and
Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005

	Amended Budget	Actual	Over (Under) Budget	2004
Revenue				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	661,823	614,981	(46,842)	631,594
Charges for services	-	-	-	-
Fines and forfeitures	110	1,500	1,390	-
Interest and rentals	-	-	-	-
Other	36,400	19,650	(16,750)	32,315
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	698,333	636,131	(62,202)	663,909
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures				
Current:				
Judicial	-	-	-	-
Public safety	881,994	819,792	(62,202)	879,808
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	16,488	10,708	(5,780)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	898,482	830,500	(67,982)	879,808
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	(200,149)	(194,369)	5,780	(215,899)
	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	195,149	194,350	(799)	176,224
Transfers (out)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	195,149	194,350	(799)	176,224
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	(5,000)	(19)	4,981	(39,675)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), beginning of year	22,334	22,334	-	62,009
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), end of year	<u>\$ 17,334</u>	<u>\$ 22,315</u>	<u>\$ 4,981</u>	<u>\$ 22,334</u>

COUNTY OF CALHOUN, MICHIGAN
MSU Cooperative Extension
Schedule of Revenue, Expenditures, and
Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005

	Amended Budget	Actual	Over (Under) Budget	2004
Revenue				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	22,426	22,891	465	30,734
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	22,426	22,891	465	30,734
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures				
Current:				
Judicial	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	22,426	22,424	(2)	33,372
Capital outlay	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	22,426	22,424	(2)	33,372
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	-	467	467	(2,638)
	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	-	467	467	(2,638)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), beginning of year	1	1	-	2,639
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), end of year	<u>\$ 1</u>	<u>\$ 468</u>	<u>\$ 467</u>	<u>\$ 1</u>

COUNTY OF CALHOUN, MICHIGAN
Human Services
Schedule of Revenue, Expenditures, and
Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005

	Amended Budget	Actual	Over (Under) Budget	2004
Revenue				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	478,939	396,066	(82,873)	458,876
Charges for services	39,279	51,041	11,762	35,026
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other	-	-	-	-
Total revenue	518,218	447,107	(71,111)	493,902
Expenditures				
Current:				
Judicial	-	-	-	-
Public safety	-	-	-	-
Health and welfare	518,218	436,142	(82,076)	470,626
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	518,218	436,142	(82,076)	470,626
Revenue over (under) expenditures	-	10,965	10,965	23,276
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	10,965	10,965	23,276
Fund balance (deficit), beginning of year	90,775	90,775	-	67,499
Fund balance (deficit), end of year	\$ 90,775	\$ 101,740	\$ 10,965	\$ 90,775

COUNTY OF CALHOUN, MICHIGAN
Soldiers' Relief
Schedule of Revenue, Expenditures, and
Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005

	Amended Budget	Actual	Over (Under) Budget	2004
Revenue				
Taxes	\$ 10,601	\$ 10,232	\$ (369)	\$ 10,120
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest and rentals	-	7	7	3
Other	-	1,979	1,979	365
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	10,601	12,218	1,617	10,488
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures				
Current:				
Judicial	-	-	-	-
Public safety	-	-	-	-
Health and welfare	10,601	4,774	(5,827)	8,216
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	10,601	4,774	(5,827)	8,216
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	-	7,444	7,444	2,272
	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	-	7,444	7,444	2,272
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), beginning of year	9,324	9,324	-	7,052
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), end of year	<u>\$ 9,324</u>	<u>\$ 16,768</u>	<u>\$ 7,444</u>	<u>\$ 9,324</u>

COUNTY OF CALHOUN, MICHIGAN
Veterans' Trust
Schedule of Revenue, Expenditures, and
Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005

	Amended Budget	Actual	Over (Under) Budget	2004
Revenue				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	24,105	26,025	1,920	16,314
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	24,105	26,025	1,920	16,314
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures				
Current:				
Judicial	-	-	-	-
Public safety	-	-	-	-
Health and welfare	24,105	23,560	(545)	16,670
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	24,105	23,560	(545)	16,670
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	-	2,465	2,465	(356)
	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	-	2,465	2,465	(356)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), beginning of year	2,008	2,008	-	2,364
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), end of year	<u>\$ 2,008</u>	<u>\$ 4,473</u>	<u>\$ 2,465</u>	<u>\$ 2,008</u>

NONMAJOR DEBT SERVICE FUNDS

Description of Funds
Combining Financial Statements

NONMAJOR DEBT SERVICE FUNDS

Jail Series III Refunding -- This fund is used to account for the retirement of refunding bonds issued in 1997. Funding is provided by a property tax levy.

Building Authority Refunding -- This fund is used to account for the payment of bonds related to various building renovation projects. Funding is provided through General Fund appropriations and rentals.

Justice Center Refunding -- This fund is used to account for payment of principal and interest of bonds related to the Justice Center Complex project. Funding is provided through General Fund appropriations.

COUNTY OF CALHOUN, MICHIGAN
Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2005

	(368) Jail Series III Refunding	(369) Building Authority Refunding	(370) Justice Center Refunding	Total
<u>ASSETS</u>				
Assets				
Cash and cash equivalents	\$ 9,533	\$ 2,300	\$ 1,167	\$ 13,000
Property taxes receivable - delinquent	23,557	-	-	23,557
Due from other funds	-	116,667	-	116,667
	<hr/>			
<u>TOTAL ASSETS</u>	\$ 33,090	\$ 118,967	\$ 1,167	\$ 153,224
<hr/>				
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Deferred revenue	\$ 23,441	\$ -	\$ -	\$ 23,441
	<hr/>			
Fund balances				
Reserved for debt service	9,649	118,967	1,167	129,783
	<hr/>			
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	\$ 33,090	\$ 118,967	\$ 1,167	\$ 153,224
<hr/>				

COUNTY OF CALHOUN, MICHIGAN
Combining Statement of Revenue, Expenditures
and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended December 31, 2005

	(368) Jail Series III Refunding	(369) Building Authority Refunding	(370) Justice Center Refunding	Total
Revenue				
Taxes	\$ 5,257	\$ -	\$ -	\$ 5,257
Interest and rentals	372	-	-	372
Total revenue	5,629	-	-	5,629
Expenditures				
Current:				
Other	4,679	-	-	4,679
Debt service:				
Principal	-	155,000	453,029	608,029
Interest and fiscal charges	-	20,880	333,800	354,680
Total expenditures	4,679	175,880	786,829	967,388
Revenue over (under) expenditures	950	(175,880)	(786,829)	(961,759)
Other financings sources				
Transfers in	-	189,213	786,828	976,041
Net change in fund balances	950	13,333	(1)	14,282
Fund balance, beginning of year, as restated	8,699	105,634	1,168	115,501
Fund balance, end of year	<u>\$ 9,649</u>	<u>\$ 118,967</u>	<u>\$ 1,167</u>	<u>\$ 129,783</u>

NONMAJOR ENTERPRISE FUNDS

Description of Funds
Combining Financial Statements

ENTERPRISE FUNDS

Property Description -- This fund is used to account for the sale of property descriptions and aerial maps to the general public.

Sheriff Inmate Concession -- This fund is used to account for the operations of a store for Calhoun County Jail inmates. Funding is provided through sales of merchandise.

COUNTY OF CALHOUN, MICHIGAN
Combining Statement of Net Assets
Nonmajor Enterprise Funds
December 31, 2005

	(503) Property Description	(595) Sheriff Inmate Concession	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 10,565	\$ 193,448	\$ 204,013
Capital assets, net	3,850	-	3,850
Total assets	14,415	193,448	207,863
Current liabilities			
Accounts payable	-	107,888	107,888
Net assets			
Invested in capital assets	3,850	-	3,850
Unrestricted	10,565	85,560	96,125
Total net assets	\$ 14,415	\$ 85,560	\$ 99,975

COUNTY OF CALHOUN, MICHIGAN
Combining Statement of Revenue, Expenses
and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended December 31, 2005

	(503) Property Description	(595) Sheriff Inmate Concession	Total
Operating revenue			
Charges for services	\$ 1,976	\$ 786,296	\$ 788,272
Operating expenses			
Personnel costs	44,046	-	44,046
Depreciation	2,136	-	2,136
Other	5,117	697,820	702,937
Total operating expenses	51,299	697,820	749,119
Income (loss) before transfers	(49,323)	88,476	39,153
Transfers			
Transfers out	-	(220,676)	(220,676)
Change in fund net assets	(49,323)	(132,200)	(181,523)
Net assets, beginning of year	63,738	217,760	281,498
Net assets, end of year	<u>\$ 14,415</u>	<u>\$ 85,560</u>	<u>\$ 99,975</u>

COUNTY OF CALHOUN, MICHIGAN
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2005

	(503) Property Description	(595) Sheriff Inmate Concession	Total
Cash flows from operating activities			
Cash received from customers	\$ 2,140	\$ 786,296	\$ 788,436
Cash payments to suppliers	(6,018)	(630,048)	(636,066)
Cash payments to employees	(44,046)	-	(44,046)
	<u>(47,924)</u>	<u>156,248</u>	<u>108,324</u>
Net cash provided by (used in) operating activities	(47,924)	156,248	108,324
Cash flows from non-capital financing activities			
Transfers in	-	(220,676)	(220,676)
	<u>(47,924)</u>	<u>(64,428)</u>	<u>(112,352)</u>
Net increase (decrease) in cash and cash equivalents	(47,924)	(64,428)	(112,352)
Cash and cash equivalents, beginning of year	58,489	257,876	316,365
Cash and cash equivalents, end of year	<u>\$ 10,565</u>	<u>\$ 193,448</u>	<u>\$ 204,013</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ (49,323)	\$ 88,476	\$ 39,153
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operations:			
Depreciation	2,136	-	2,136
Changes in assets and liabilities:			
Accounts receivable	164	-	164
Accounts payable	-	67,772	67,772
Accrued payroll	(901)	-	(901)
	<u>(901)</u>	<u>-</u>	<u>(901)</u>
Net cash provided by (used in) operating activities	<u>\$ (47,924)</u>	<u>\$ 156,248</u>	<u>\$ 108,324</u>

INTERNAL SERVICE FUNDS

Description of Funds
Combining Financial Statements

INTERNAL SERVICE FUNDS

Equipment Purchases -- This fund is used to account for certain equipment purchases made on a centralized basis.

Buildings & Grounds -- This fund is used to record the operation and maintenance of County buildings. Revenue is derived from building rents.

Administrative Services -- This fund is used to account for the operations of printing, mailing and telephone services, and data processing. Funding is provided through departmental user charges and contractual agreements.

Insurance -- This fund is used to account for the liability insurance coverage to the County. Funds are provided by a General Fund appropriation.

Employee Benefits -- This fund is used to account for various employee benefits which include health, dental, life, and disability insurance, and unemployment compensation claims. Funding is provided by charges to user departments.

Workers' Compensation -- This fund is used to record worker's compensation expenses and premium coverage from catastrophic loss. Financing for this fund is provided by departmental user charges.

Sick & Accident -- This fund is used to account for self-insured short-term disability claims. Funding is provided by charges to user departments.

COUNTY OF CALHOUN, MICHIGAN
Combining Statement of Net Assets
Internal Service Funds
December 31, 2005

	(402) Equipment Purchases	(631) Building & Grounds	(636) Administrative Services	(677) Insurance
Assets				
Current assets:				
Cash and cash equivalents	\$ -	\$ 487,335	\$ 132,153	\$ 319,596
Accounts receivable	-	983	995	8,231
Inventory	-	-	9,218	-
Prepaid items	-	-	36,836	-
Total current assets	-	488,318	179,202	327,827
Capital assets, net	2,582	1,882,875	532,888	-
Total assets	2,582	2,371,193	712,090	327,827
Liabilities				
Current liabilities:				
Accounts payable	-	204,834	42,667	430
Accrued payroll	-	10,308	7,001	-
Claims payable	-	-	-	324,425
Advances from other funds	-	61,669	-	-
Current portion of capital leases payable	-	-	42,600	-
Total current liabilities	-	276,811	92,268	324,855
Long-term liabilities:				
Capital leases payable	-	-	228,031	-
Total liabilities	-	276,811	320,299	324,855
Net assets				
Invested in capital assets, net of related debt	2,582	1,882,875	262,257	-
Unrestricted	-	211,507	129,534	2,972
Total net assets	\$ 2,582	\$ 2,094,382	\$ 391,791	\$ 2,972

(694) Employee Benefits		(695) Workers' Compensation		(696) Sick & Accident		Total
\$	1,220,411	\$	299,525	\$	36,798	\$ 2,495,818
	-		-		-	10,209
	-		-		-	9,218
	-		-		19,880	56,716
	1,220,411		299,525		56,678	2,571,961
	-		-		-	2,418,345
	1,220,411		299,525		56,678	4,990,306
	22,712		-		-	270,643
	-		-		-	17,309
	280,344		278,001		-	882,770
	-		-		-	61,669
	-		-		-	42,600
	303,056		278,001		-	1,274,991
	-		-		-	228,031
	303,056		278,001		-	1,503,022
	-		-		-	2,147,714
	917,355		21,524		56,678	1,339,570
\$	917,355	\$	21,524	\$	56,678	\$ 3,487,284

COUNTY OF CALHOUN, MICHIGAN
Combining Statement of Revenue, Expenses
and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended December 31, 2005

	(402) Equipment Purchases	(631) Building & Grounds	(636) Administrative Services	(677) Insurance
Operating revenue				
Charges for services	\$ -	\$ 2,232,473	\$ 1,050,532	\$ 851,585
Other	-	9,367	-	-
Total operating revenue	-	2,241,840	1,050,532	851,585
Operating expenses				
Administration	-	-	-	-
Cost of services	-	1,903,715	941,058	898,980
Depreciation	3,873	117,361	171,429	-
Total operating expenses	3,873	2,021,076	1,112,487	898,980
Operating income (loss)	(3,873)	220,764	(61,955)	(47,395)
Non-operating revenue				
Interest revenue	-	-	-	334
Income (loss) before transfers	(3,873)	220,764	(61,955)	(47,061)
Transfers				
Transfers in	-	12,955	53,000	-
Transfers (out)	(42,350)	(351,081)	-	-
Total transfers	(42,350)	(338,126)	53,000	-
Change in fund net assets	(46,223)	(117,362)	(8,955)	(47,061)
Net assets, beginning of year	48,805	2,211,744	400,746	50,033
Net assets, end of year	\$ 2,582	\$ 2,094,382	\$ 391,791	\$ 2,972

(694) Employee Benefits	(695) Workers' Compensation	(696) Sick & Accident	Total
\$ 5,046,811	\$ 87,239	\$ 64,838	\$ 9,333,478
-	-	-	9,367
5,046,811	87,239	64,838	9,342,845
160,651	539	19,163	180,353
5,184,759	236,228	238,508	9,403,248
-	-	-	292,663
5,345,410	236,767	257,671	9,876,264
(298,599)	(149,528)	(192,833)	(533,419)
-	-	-	334
(298,599)	(149,528)	(192,833)	(533,085)
-	-	-	65,955
-	-	-	(393,431)
-	-	-	(327,476)
(298,599)	(149,528)	(192,833)	(860,561)
1,215,954	171,052	249,511	4,347,845
\$ 917,355	\$ 21,524	\$ 56,678	\$ 3,487,284

COUNTY OF CALHOUN, MICHIGAN
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2005

	(402) Equipment Purchases	(631) Building & Grounds	(636) Administrative Services	(677) Insurance
Cash flows from operating activities				
Cash received from interfund services	\$ -	\$ 2,241,016	\$ 1,051,490	\$ 843,441
Cash payments to suppliers	-	(1,326,306)	(547,410)	(780,557)
Cash payments to employees	-	(551,758)	(337,588)	-
Net cash provided by (used in) operating activities	-	362,952	166,492	62,884
Cash flows from non-capital financing activities				
Transfers in	-	12,955	53,000	-
Transfers (out)	(42,350)	(351,081)	-	-
Net cash provided by (used in) non-capital financing activities	(42,350)	(338,126)	53,000	-
Cash flows from capital and related financing activities				
Purchase of capital assets	-	(40,205)	(54,820)	-
Capital lease payments	-	-	(40,888)	-
Net cash (used in) capital and related financing activities	-	(40,205)	(95,708)	-
Cash flows from investing activities				
Interest earned	-	-	-	334
Net increase (decrease) in cash and cash equivalents	(42,350)	(15,379)	123,784	63,218
Cash and cash equivalents, beginning of year	42,350	502,714	8,369	256,378
Cash and cash equivalents, end of year	\$ -	\$ 487,335	\$ 132,153	\$ 319,596

(694) Employee Benefits	(695) Workers' Compensation	(696) Sick & Accident	Total
\$ 5,046,811	\$ 87,239	\$ 64,838	\$ 9,334,835
(5,275,278)	(211,110)	(277,551)	(8,418,212)
-	-	-	(889,346)
(228,467)	(123,871)	(212,713)	27,277
-	-	-	65,955
-	-	-	(393,431)
-	-	-	(327,476)
-	-	-	(95,025)
-	-	-	(40,888)
-	-	-	(135,913)
-	-	-	334
(228,467)	(123,871)	(212,713)	(435,778)
1,448,878	423,396	249,511	2,931,596
\$ 1,220,411	\$ 299,525	\$ 36,798	\$ 2,495,818

(continued...)

COUNTY OF CALHOUN, MICHIGAN
Combining Statement of Cash Flows (Concluded)
Internal Service Funds
For the Year Ended December 31, 2005

	(402) Equipment Purchases	(631) Building & Grounds	(636) Administrative Services	(677) Insurance
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (3,873)	\$ 220,764	\$ (61,955)	\$ (47,395)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operations:				
Depreciation	3,873	117,361	171,429	-
Changes in assets and liabilities:				
Accounts receivable	-	(824)	958	(8,144)
Inventory	-	-	11,486	-
Prepaid items	-	-	45,971	-
Accounts payable	-	82,908	(1,744)	(9,399)
Accrued payroll	-	1,475	347	-
Claims payable	-	-	-	127,822
Advances from other funds	-	(58,732)	-	-
Net cash provided by (used in) operating activities	\$ -	\$ 362,952	\$ 166,492	\$ 62,884

(694) Employee Benefits	(695) Workers' Compensation	(696) Sick & Accident	Total
\$ (298,599)	\$ (149,528)	\$ (192,833)	\$ (533,419)
-	-	-	292,663
-	-	-	(8,010)
-	-	-	11,486
13,540	-	(19,880)	39,631
10,763	-	-	82,528
-	-	-	1,822
45,829	25,657	-	199,308
-	-	-	(58,732)
\$ (228,467)	\$ (123,871)	\$ (212,713)	\$ 27,277

FIDUCIARY FUNDS

Description of Funds
Combining Financial Statements

FIDUCIARY FUNDS

PENSION TRUST FUNDS:

Employee's Defined Benefit -- This fund is used to account for the operations of the Defined Benefit Pension Plan.

Employee Benefits -- This fund is used to account for the administrative costs of operating the County's 401(k) Pension Plan.

Flexible Benefits -- This fund is used to account for donations held under a trust agreement as well as all other donations not accounted for elsewhere.

AGENCY FUNDS:

Trust and Agency -- This fund is used to account for assets held by Calhoun County acting as an agent for individuals, private organizations, other governmental units, and other funds.

Penal Fines -- This fund is used to account for money that is received from the courts for fines imposed as a result of State law violations.

Inmate Trust -- This fund is used to account for inmate monies held by the County while incarcerated.

Friend of the Court -- This fund is used to account for monies collected from non-custodial parents for distribution to custodial parents and/or other governmental units.

District Court -- This fund is used to account for various fines and bonds collected and subsequently distributed.

COUNTY OF CALHOUN, MICHIGAN
Combining Statement of Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
December 31, 2005

	(735) Employee's Defined Benefit	(731) Employee Benefits	(734) Flexible Benefits	Total
Assets				
Cash and cash equivalents	\$ (27,709)	\$ 7,827	\$ 42,969	\$ 23,087
Investments	4,370,131	-	-	4,370,131
Accounts receivable	-	2,357	-	2,357
Total assets	4,342,422	10,184	42,969	4,395,575
Liabilities				
Accounts payable	-	2,250	-	2,250
Net assets held in trust for				
Retirement administration	4,342,422	-	-	4,342,422
Employee benefits	-	7,934	42,969	50,903
Total net assets	\$ 4,342,422	\$ 7,934	\$ 42,969	\$ 4,393,325

COUNTY OF CALHOUN, MICHIGAN
Combining Statement of Changes in Plan Net Assets
Pension and Other Employee Benefit Trust Funds
For the Year Ended December 31, 2005

	(735) Employee's Defined Benefit	(731) Employee Benefits	(734) Flexible Benefits	Total
Additions:				
Investment income:				
Interest and dividends	\$ 188,234	\$ 37	\$ -	\$ 188,271
Contributions:				
Employer	519,753	-	-	519,753
Employee	599,033	-	212,081	811,114
Forfeitures	-	10,000	-	10,000
Total additions	1,307,020	10,037	212,081	1,529,138
Deductions:				
Pension benefits paid to participants	203,853	-	-	203,853
Actuarial fees	41,014	-	-	41,014
Administrative fees	-	13,763	-	13,763
Refunds	61,852	-	-	61,852
Employee reimbursements	-	-	212,639	212,639
Total deductions	306,719	13,763	212,639	533,121
Net increase (decrease)	1,000,301	(3,726)	(558)	996,017
Net assets held in trust for pension benefits				
Beginning of year	3,342,121	11,660	43,527	3,397,308
End of year	\$ 4,342,422	\$ 7,934	\$ 42,969	\$ 4,393,325

COUNTY OF CALHOUN, MICHIGAN
Combining Statement of Assets and Liabilities
Agency Funds
December 31, 2005

	Trust and Agency	Penal Fines	Inmate Trust	Friend of the Court
Assets				
Cash and cash equivalents	\$ 1,367,102	\$ 103,880	\$ 119,459	\$ 4,651
Accounts receivable	-	27,319	-	-
Total assets	<u>\$ 1,367,102</u>	<u>\$ 131,199</u>	<u>\$ 119,459</u>	<u>\$ 4,651</u>
Liabilities				
Accounts payable	\$ 366,895	\$ -	\$ -	\$ -
Due to individuals and agencies	513,849	-	119,459	4,651
Due to other government units	486,358	131,199	-	-
Total liabilities	<u>\$ 1,367,102</u>	<u>\$ 131,199</u>	<u>\$ 119,459</u>	<u>\$ 4,651</u>

District Court		Total	
\$ 557,063		\$ 2,152,155	
-		27,319	
\$ 557,063		\$ 2,179,474	
\$ -		\$ 366,895	
557,063		1,195,022	
-		617,557	
\$ 557,063		\$ 2,179,474	

COUNTY OF CALHOUN, MICHIGAN
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended December 31, 2005

	Beginning Balance	Additions	Reductions	Ending Balance
<u>TRUST AND AGENCY FUND</u>				
Assets				
Cash	\$ 1,329,758	\$ 35,905,980	\$ 35,868,636	\$ 1,367,102
Liabilities				
Accounts payable	\$ 2,431	\$ 26,101,586	\$ 25,737,122	\$ 366,895
Due to individuals and agencies	499,353	2,883,387	2,868,891	513,849
Due to other governmental units	827,974	32,244,507	32,586,123	486,358
Total liabilities	\$ 1,329,758	\$ 61,229,480	\$ 61,192,136	\$ 1,367,102
<u>PENAL FINES</u>				
Assets				
Cash	\$ 107,427	\$ 435,217	\$ 438,764	\$ 103,880
Accounts receivable	29,625	27,319	29,625	27,319
Total assets	\$ 137,052	\$ 462,536	\$ 468,389	\$ 131,199
Liabilities				
Due to other governmental units	\$ 137,052	\$ 463,044	\$ 468,897	\$ 131,199

(continued...)

COUNTY OF CALHOUN, MICHIGAN
Agency Funds
Combining Statement of Changes in Assets and Liabilities
(Continued)
For the Year Ended December 31, 2005

	Beginning Balance	Additions	Reductions	Ending Balance
<u>SHERIFF INMATE TRUST FUND</u>				
Assets				
Cash and cash equivalents	\$ 145,334	\$ 10,995	\$ 36,870	\$ 119,459
Liabilities				
Due to individuals and agencies	\$ 145,334	\$ 1,464,595	\$ 1,490,470	\$ 119,459
<u>FRIEND OF THE COURT FUND</u>				
Assets				
Cash and cash equivalents	\$ 5,224	\$ 505,964	\$ 506,537	\$ 4,651
Liabilities				
Due to individuals and agencies	\$ 5,224	\$ 505,964	\$ 506,537	\$ 4,651
<u>DISTRICT COURT FUND</u>				
Assets				
Cash and cash equivalents	\$ 559,332	\$ 19,168,686	\$ 19,170,955	\$ 557,063
Liabilities				
Due to individuals and agencies	\$ 559,332	\$ 19,168,686	\$ 19,170,955	\$ 557,063

(continued...)

COUNTY OF CALHOUN, MICHIGAN
Agency Funds
Combining Statement of Changes in Assets and Liabilities
(Concluded)
For the Year Ended December 31, 2005

	Beginning Balance	Additions	Reductions	Ending Balance
<u>TOTAL ALL AGENCY FUNDS</u>				
Assets				
Cash and cash equivalents	\$ 2,147,075	\$ 56,026,842	\$ 56,021,762	\$ 2,152,155
Accounts receivable	29,625	27,319	29,625	27,319
	<hr/>			
Total assets	\$ 2,176,700	\$ 56,054,161	\$ 56,051,387	\$ 2,179,474
	<hr/>			
Liabilities				
Accounts payable	\$ 2,431	\$ 26,101,586	\$ 25,737,122	\$ 366,895
Due to individuals and agencies	1,209,243	24,022,632	24,036,853	1,195,022
Due to other governmental units	965,026	32,707,551	33,055,020	617,557
	<hr/>			
Total liabilities	\$ 2,176,700	\$ 82,831,769	\$ 82,828,995	\$ 2,179,474
	<hr/>			

DRAIN COMMISSION COMPONENT UNIT

Description of Funds
Combining Component Unit Financial Statements

DRAIN COMMISSION COMPONENT UNIT

County Drain -- This fund is used to record construction, maintenance and storm repair expenditures for all drains which are not accounted for in other drain capital projects funds.

Lake Level -- This fund is used to account for revenues and expenditures related to the control of lake levels.

Drain Revolving -- This fund is used to account for monies advanced for engineering, surveys, and other preliminary costs of new drains. Monies for the operation of this fund are supplied by an advance from the County General Fund and reimbursements from drain funds as special assessments are collected.

Lake Level Revolving -- This fund is used to account for money advanced for engineering and other preliminary costs of a lake level project.

COUNTY OF CALHOUN, MICHIGAN
Drain Commission Component Unit
Statement of Net Assets / Governmental Funds Balance Sheet
December 31, 2005

	Capital Projects Funds			
	County Drain	Lake Level	Drain Revolving	Lake Level Revolving
Assets				
Cash and cash equivalents	\$ 554,747	\$ 100,714	\$ 21,775	\$ 8,557
Receivables:				
Accounts	3,005	-	-	-
Accrued interest	1,435	-	-	-
Special assessments	1,150,366	3,000	-	-
Due from other governments	11,190	-	-	-
Due from other funds	-	-	44,225	2,043
Capital assets, net	-	-	-	-
Total assets	<u>\$ 1,720,743</u>	<u>\$ 103,714</u>	<u>\$ 66,000</u>	<u>\$ 10,600</u>
Liabilities				
Accounts payable	\$ 70,926	\$ 3,814	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	44,225	2,043	-	-
Advance from primary government	-	-	66,000	10,600
Deferred revenue	1,192,216	3,000	-	-
Long-term debt:				
Due in one year	-	-	-	-
Due in more than one year	-	-	-	-
Total liabilities	<u>1,307,367</u>	<u>8,857</u>	<u>66,000</u>	<u>10,600</u>
Fund balances				
Unreserved, undesignated	<u>413,376</u>	<u>94,857</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,720,743</u>	<u>\$ 103,714</u>	<u>\$ 66,000</u>	<u>\$ 10,600</u>
Net assets				
Invested in capital assets, net of related debt				
Unrestricted				
Total net assets				

Total	Adjustments	Statement of Net Assets
\$ 685,793	\$ -	\$ 685,793
3,005	-	3,005
1,435	-	1,435
1,153,366	-	1,153,366
11,190	-	11,190
46,268	(46,268)	-
-	3,230,691	3,230,691
<u>\$ 1,901,057</u>	3,184,423	5,085,480
\$ 74,740	\$ -	\$ 74,740
-	117,499	117,499
46,268	(46,268)	-
76,600	-	76,600
1,195,216	(1,195,216)	-
-	441,288	441,288
-	1,516,008	1,516,008
1,392,824	833,311	2,226,135
508,233	(508,233)	-
<u>\$ 1,901,057</u>		
	1,273,395	1,273,395
	1,585,950	1,585,950
	<u>\$ 2,859,345</u>	<u>\$ 2,859,345</u>

COUNTY OF CALHOUN, MICHIGAN
Drain Commission Component Unit
Reconciliation of Fund Balances of
Capital Projects Funds to Net Assets
December 31, 2005

Fund balances - total capital projects funds	\$ 508,233
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Amounts reported in the statement of net assets are different because:

Capital assets are not financial resources, and therefore not reported in the funds.

Add: capital assets being depreciated, net	3,230,691
--	-----------

Because the focus of capital projects funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the capital projects funds, and thus are not included in fund balance.

Add: deferred special assessments receivable	1,195,216
--	-----------

Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.

Subtract: bonds payable, long-term portion	(1,516,008)
Subtract: bonds payable, current portion	(441,288)
Subtract: accrued interest on long-term liabilities	<u>(117,499)</u>

Net assets	<u><u>\$ 2,859,345</u></u>
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COUNTY OF CALHOUN, MICHIGAN
Drain Commission Component Unit
Statement of Activities / Governmental Funds Revenue, Expenditures
and Changes in Fund Balance
For the Year Ended December 31, 2005

	Capital Projects Funds			
	County Drain	Lake Level	Drain Revolving	Lake Level Revolving
Revenue				
Special assessments	\$ 542,833	\$ 5,904	\$ -	\$ -
Interest and rentals	31,954	48	-	-
Total revenue	574,787	5,952	-	-
Expenditures/Expense				
Public works	503,609	44,271	-	-
Debt service:				
Principal	299,429	1,000	-	-
Interest and fiscal charges	40,978	45	-	-
Total expenditures/expenses	844,016	45,316	-	-
Revenue over (under) expenditures	(269,229)	(39,364)	-	-
Other financing sources				
Note proceeds	388,890	26,100	-	-
Change in net asests / fund balances	119,661	(13,264)	-	-
Net assets / fund balances:				
Beginning of year	293,715	108,121	-	-
End of year	<u>\$ 413,376</u>	<u>\$ 94,857</u>	<u>\$ -</u>	<u>\$ -</u>

Total		Adjustments		Statement of Activities	
\$	548,737	\$	(405,066)	\$	143,671
	32,002		-		32,002
	580,739		(405,066)		175,673
	547,880		(279,152)		268,728
	300,429		(300,429)		-
	41,023		23,168		64,191
	889,332		(556,413)		332,919
	(308,593)		151,347		
	414,990		(414,990)		
	106,397		(263,643)		(157,246)
	401,836		2,614,755		3,016,591
\$	508,233	\$	2,351,112	\$	2,859,345

COUNTY OF CALHOUN, MICHIGAN
Drain Commission Component Unit
Reconciliation of the Statement of Revenue, Expenditures
and Changes in Fund Balances
of Capital Projects Funds to the Statement of Activities
For the Year Ended December 31, 2005

Net change in fund balances - total capital projects funds	\$	106,397
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Amounts reported in the statement of activities are different because:

Capital projects funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay		348,472
Subtract: depreciation expense		(69,320)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Subtract: change in deferred special assessments		(405,066)
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Bond proceeds provide current financial resources to capital projects funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the capital projects funds, but the repayment reduces long term-liabilities.

Add: principal payments on long-term liabilities		300,429
Subtract: proceeds from the issuance of notes payable		(414,990)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in capital projects funds.

Add: change in accrued interest on bonds		(23,168)
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Change in net assets	\$	(157,246)
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STATISTICAL SECTION

Table 1
COUNTY OF CALHOUN, MICHIGAN
GENERAL FUND - UNAUDITED - LAST TEN YEARS

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
REVENUE BY SOURCE										
Taxes and Special Assessments	\$ 15,933,547	\$ 15,585,141	\$ 15,253,145	\$ 14,255,700	\$ 13,583,507	\$ 13,243,537	\$ 12,763,711	\$ 12,106,393	\$ 11,390,157	\$ 10,908,380
Licenses and permits	93,439	84,729	72,586	77,441	83,430	107,201	114,086	99,035	90,878	76,633
Intergovernmental	3,009,127	4,323,001	5,500,103	6,017,173	6,123,174	5,930,227	5,620,079	5,642,301	5,291,681	4,417,019
Charges for services	9,876,911	9,887,270	10,033,582	9,652,108	8,109,078	8,119,909	6,930,890	6,908,622	6,693,395	5,601,504
Fines and forfeitures	1,117,372	800,899	895,844	1,061,352	930,530	967,370	1,019,439	1,154,764	1,121,452	973,588
Interest and rents	316,649	199,462	179,922	232,873	414,688	459,466	356,200	340,807	443,291	360,666
Other	966,515	603,932	625,894	662,400	691,329	616,743	375,886	499,561	582,776	603,196
	\$ 31,313,560	\$ 31,484,434	\$ 32,561,076	\$ 31,959,047	\$ 29,935,736	\$ 29,444,453	\$ 27,180,291	\$ 26,751,483	\$ 25,613,630	\$ 22,940,986
EXPENDITURES BY FUNCTION										
Legislative	\$ 185,610	\$ 187,300	\$ 195,403	\$ 217,551	\$ 186,123	\$ 180,323	\$ 176,065	\$ 140,992	\$ 121,820	\$ 121,791
Judicial	8,156,960	7,880,352	7,518,324	7,316,118	7,243,503	6,698,312	6,395,348	6,259,444	6,206,579	5,896,992
General Government	6,161,596	5,999,219	5,635,978	5,445,848	4,971,155	4,973,391	4,889,875	4,427,980	3,871,761	3,600,367
Public Safety	12,926,533	12,677,734	11,781,114	11,021,344	10,279,917	9,811,009	9,064,564	8,072,346	7,289,813	6,623,235
Public Works	105,166	81,496	86,098	74,217	90,194	63,262	66,479	54,870	44,524	39,203
Health and Welfare	909,717	885,481	894,540	857,107	837,555	871,679	739,476	738,115	743,704	409,169
Other	2,385,234	2,406,961	2,371,940	2,314,669	2,199,487	2,060,756	2,400,790	2,083,611	2,044,481	1,517,483
Capital Outlay	139,064	223,758	153,947	225,800	54,604	220,302	442,264	324,719	355,944	274,549
Less: Reimbursements	-	-	-	-	-	-	(219,231)	(533,532)	(443,349)	(338,401)
	\$ 30,969,880	\$ 30,342,301	\$ 28,637,344	\$ 27,472,654	\$ 25,862,538	\$ 24,879,034	\$ 23,955,630	\$ 21,568,545	\$ 20,235,277	\$ 18,144,388
Rev over (under) expend	343,680	1,142,133	3,923,732	4,486,393	4,073,198	4,565,419	3,224,661	5,182,938	5,378,353	4,796,598
OTHER FINANCING SOURCES(USES)										
Transfers in	4,974,613	3,978,007	1,214,485	2,286,656	1,904,066	868,516	801,158	990,467	980,436	1,205,733
Transfers (out)	(5,647,261)	(6,005,268)	(5,550,944)	(5,496,227)	(5,745,885)	(5,049,210)	(5,376,677)	(5,475,891)	(5,806,791)	(5,143,212)
Transfer to comp unit	-	-	-	-	-	(3,780)	(3,780)	(3,780)	(3,780)	(3,780)
	(672,648)	(2,027,261)	(4,336,459)	(3,209,571)	(3,841,819)	(4,184,474)	(4,579,299)	(4,489,204)	(4,830,135)	(3,941,259)
Rev & other sources over (under) expend & other (uses)	(328,968)	(885,128)	(412,727)	1,276,822	231,379	380,945	(1,354,638)	693,734	548,218	855,339
Fund Balances, beg of year	2,357,602	3,248,566	3,661,293	2,384,471	2,269,410	1,888,465	3,243,103	2,549,369	2,001,151	1,145,812
Residual Equity Transfer	-	-	-	-	-	-	-	-	-	-
Prior Period Adjustment	-	(5,836)	-	-	(116,318)	-	-	-	-	-
Fund Balances, end of year	\$ 2,028,634	\$ 2,357,602	\$ 3,248,566	\$ 3,661,293	\$ 2,384,471	\$ 2,269,410	\$ 1,888,465	\$ 3,243,103	\$ 2,549,369	\$ 2,001,151

Table 2
COUNTY OF CALHOUN, MICHIGAN

PROPERTY TAXES LEVIED AND COLLECTED - UNAUDITED
LAST TEN YEARS

(1) Year Ended December 31,	Total Taxes Levied	Collected to March 1 Each Year	Percent of Levy Collected
2005	\$ 16,649,367	\$ 15,365,609	92.3%
2004	16,196,573	14,874,267	91.8%
2003	15,612,489	14,220,519	91.1%
2002	15,124,938	13,781,041	91.1%
2001	14,402,419	12,933,207	89.8%
2000	13,561,775	12,254,650	90.4%
1999	13,313,400	11,804,401	88.7%
1998	12,686,818	11,590,156	91.4%
1997	12,053,525	10,848,173	90.0%
1996	11,344,000	10,301,062	90.8%

(1) Property taxes are levied December 1 of the preceding year and become delinquent March 1 of the current year. Delinquent real property taxes of all taxing districts in the County are purchased by the County's Delinquent Tax Revolving Fund. Uncollected personal property taxes must be collected by the applicable local treasurers.

Table 3
COUNTY OF CALHOUN, MICHIGAN

**TAXABLE AND ESTIMATED ACTUAL VALUE OF PROPERTY - UNAUDITED
LAST TEN YEARS**

(1) Year	Real Property		Personal Property		Total		Ratio of Taxable to Estimated Actual Value
	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	
2005	\$ 2,810,459,989	\$ 5,620,919,978	\$ 507,625,104	\$1,015,250,208	\$ 3,318,085,093	\$ 6,636,170,186	50.0%
2004	2,692,723,416	5,385,446,832	535,689,538	1,071,379,076	3,228,412,954	6,456,825,908	50.0%
2003	2,561,058,539	5,122,117,078	550,492,609	1,100,985,218	3,111,551,148	6,223,102,296	50.0%
2002	2,434,861,175	4,869,722,350	547,576,550	1,095,153,100	2,982,437,725	5,964,875,450	- 50.0%
2001	2,290,495,440	4,580,990,880	520,470,286	1,040,940,572	2,810,965,726	5,621,931,452	50.0%
2000	2,137,736,040	4,275,472,080	459,569,670	919,139,340	2,597,305,710	5,194,611,420	50.0%
1999	2,020,369,712	4,040,739,424	477,180,497	954,360,994	2,497,550,209	4,995,100,418	50.0%
1998	1,909,959,528	3,819,919,056	442,506,262	885,012,524	2,352,465,790	4,704,931,580	50.0%
1997	1,800,199,329	3,600,398,658	425,833,688	851,667,376	2,226,033,017	4,452,066,034	50.0%
1996	1,703,220,160	3,406,440,320	381,998,188	763,996,376	2,085,218,348	4,170,436,696	50.0%

(1) Property taxes for the years listed are levied December 1 of the preceding year based on assessed values as of that date.

Table 4
COUNTY OF CALHOUN, MICHIGAN

PROPERTY TAX RATES (1) - UNAUDITED
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN YEARS

		(2)	(2)	(3)			(4)	
Taxes Levied	Cities and	School	State	Other				
December 1,	Villages	Districts	Education	Schools	County	Townships	Authority	Total
			Tax					
2005	14.0100	9.5881	6.0000	4.9709	6.3713	2.2342	0.5000	43.6745
2004	13.8644	9.8420	6.0000	4.9544	6.3713	2.2752	0.0000	43.3073
2003	13.7406	9.4859	5.0000	4.9705	6.6513	2.2456	0.0000	42.0939
2002	13.8319	9.3871	6.0000	4.8787	6.6713	2.2732	0.0000	43.0422
2001	13.8795	12.0504	6.0000	4.8874	7.1961	1.7500	0.0000	45.7634
2000	13.7002	11.2463	6.0000	4.8933	7.2120	1.7801	0.0000	44.8319
1999	13.6879	10.4637	6.0000	4.8940	7.2120	1.6947	0.0000	43.9523
1998	13.7797	10.2741	6.0000	4.9139	7.2319	1.7470	0.0000	43.9466
1997	12.5733	10.9375	6.0000	4.8423	7.3774	0.9247	0.0000	42.6552
1996	13.9724	10.2454	6.0000	4.4990	7.4119	1.7086	0.0000	43.8373

(1) Per \$1,000 of equalized value.

(2) In 1994 property tax reform was implemented in the State.

(3) Includes intermediate school districts (i.e., special education and vocational) and community colleges.

(4) Marshall Area Fire Fighters Ambulance Authority

SOURCES: Annual Apportionment Report of Calhoun County

Table 5
COUNTY OF CALHOUN, MICHIGAN

SPECIAL ASSESSMENTS BILLED AND COLLECTED - UNAUDITED
LAST TEN YEARS

Year	Billed	Collected	Percent collected	(1) Delinquent
2005	\$ 167,663	\$ 153,105	91.3%	14,558
2004	165,341	152,847	92.4%	12,494
2003	204,925	188,706	92.1%	16,219
2002	132,131	119,653	90.6%	12,478
2001	155,875	141,930	91.1%	13,946
2000	161,166	139,769	86.7%	21,397
1999	90,938	69,956	76.9%	20,982
1998	114,690	92,663	80.8%	22,027
1997	188,152	162,397	86.3%	25,755
1996	132,868	111,332	83.8%	21,536

(1) Delinquent special assessments are as of March 1 of the succeeding year when they are purchased by the County's Delinquent Tax Revolving Fund.

Table 6
COUNTY OF CALHOUN, MICHIGAN

**RATIO OF NET GENERAL BONDED DEBT TO TAXABLE VALUE
AND NET BONDED DEBT PER CAPITA - UNAUDITED
LAST TEN YEARS**

Year	(1) Population	(2) Taxable Value	(3) Gross Bonded Debt	(4) Less Debt Service Fund Amounts	Less Self- Supporting Portions	Net Bonded Debt	Ratio of Net Bonded Debt to Taxable Value	Net Bonded Debt Per Capita
2005	139,191	\$ 3,318,085,093	\$ 8,481,241	\$ 13,118	\$ -	\$ 8,468,123	0.26%	61
2004	139,067	3,228,412,954	9,089,270	12,168	-	9,077,102	0.28%	65
2003	138,854	3,111,551,148	11,162,553	717,829	-	10,444,724	0.34%	75
2002	138,375	2,982,437,725	14,840,290	2,785,918	-	12,054,372	0.40%	87
2001	138,031	2,810,965,726	17,119,706	1,814,528	-	15,305,178	0.54%	111
2000	137,985	2,597,305,710	19,491,686	1,122,907	-	18,368,779	0.71%	133
1999	141,380	2,497,550,209	21,838,272	600,311	-	21,237,961	0.85%	150
1998	141,005	2,352,465,790	24,074,616	257,978	-	23,816,638	1.01%	169
1997	139,700	2,226,033,017	26,100,721	40,443	-	26,060,278	1.17%	187
1996	140,112	2,085,218,348	27,545,000	1,533,450	-	26,011,550	1.25%	186

(1) From Table 10

(2) From Table 3

(3) Amounts do not include special assessment debt, revenue bonds or discretely presented component units.

(4) Represents amounts available for repayment of general obligation bonds.

Table 7
COUNTY OF CALHOUN, MICHIGAN

COMPUTATION OF LEGAL DEBT MARGIN - UNAUDITED

State Equalized Valuation (SEV)		<u>\$ 4,112,478,332</u>
Legal debt limit (10% of SEV) (1)		\$ 411,247,833
Debt applicable to limitation:		
County general obligation bonds	\$ 8,481,241	
County general obligation tax notes	500,000	
Michigan Transportation Fund notes	2,570,000	
Water and sewer project revenue bonds (2)	15,981,000	
Less: debt with no County credit pledged	<u>(4,536,000)</u>	
		<u>22,996,241</u>
LEGAL DEBT MARGIN		<u>\$ 388,251,592</u>

(1) Article VII, Paragraph II of the Constitution of the State of Michigan of 1963, as amended.

(2) Payable by local municipalities solely from the proceeds of contractual obligations.

SOURCE: Calhoun County Treasurer

Table 8
COUNTY OF CALHOUN, MICHIGAN

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT - UNAUDITED

	(1) Net Debt <u>Outstanding</u>	Percentage Applicable to <u>Calhoun County</u>	Amount Applicable to <u>Calhoun County</u>
Direct:			
County issued bonded debt	\$ 8,481,241	100.00%	\$ 8,481,241
Overlapping:			
School Districts	(2)	(2)	199,191,999
Cities, Townships and Villages	(2)	(2)	108,596,000
Community Colleges and Intermediate Intermediate School Districts	(2)	(2)	12,611,749
District Library	(2)	(2)	1,725,000
Overlapping Debt Subtotal			<u>322,124,748</u>
 TOTAL			 <u><u>\$ 330,605,989</u></u>

(1) Excludes self-supporting debt or that portion paid directly by benefiting municipalities.

(2) Data not readily available.

SOURCE: Municipal Advisory Council of Michigan

Table 9
COUNTY OF CALHOUN, MICHIGAN

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL
BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES - UNAUDITED
LAST TEN YEARS**

Year	Annual Debt Service	Total General Fund Expenditures	Ratio
2005	\$ 962,165	\$ 30,969,880	3.1%
2004	2,493,849	30,342,301	8.2%
2003	4,241,806	28,637,344	14.8%
2002	2,990,617	27,472,652	10.9%
2001	3,194,390	25,862,538	12.4%
2000	3,282,415	24,879,034	13.2%
1999	3,283,000	23,955,630	13.7%
1998	3,180,294	21,568,545	14.7%
1997	5,029,191	20,235,277	24.9%
1996	3,369,277	18,144,388	18.6%

Table 10
COUNTY OF CALHOUN, MICHIGAN

DEMOGRAPHIC STATISTICS (1) - UNAUDITED

<u>Year</u>	<u>Population</u>	<u>Per Capita Income</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2005	139,191	\$ -	25,709	6.4%
2004	139,067	31,954	25,962	6.8%
2003	138,854	31,178	27,528	7.2%
2002	138,375	26,213	27,001	6.0%
2001	138,175	25,292	27,432	5.1%
2000	137,985	25,138	27,348	4.3%
1999	141,380	24,458	26,521	4.2%
1998	141,005	23,474	27,189	4.0%
1997	139,700	23,104	27,189	4.2%
1996	140,112	21,721	27,870	4.8%

<u>Year</u>	<u>Population</u>	<u>Median Age</u>
2000	137,985	35.5
1990	135,982	33.9
1980	141,557	-
1970	141,963	-
1960	138,858	-
1950	120,813	-

(1) Reliable or complete data not readily obtainable where not provided.

SOURCES:

Population - Population Estimates Program, Population Division, U. S. Census Bureau

Per Capita Income - Michigan Employment Security Commission

School Enrollment - Calhoun County Intermediate School District

Unemployment Rate - Michigan Employment Security Commission

Table 11
COUNTY OF CALHOUN, MICHIGAN

PROPERTY VALUE BY CLASS - UNAUDITED
LAST TEN YEARS

Year	Agriculture	Commercial	Industrial	Residential	Development	Personal
2005	\$ 157,517,458	\$ 458,372,488	\$ 182,330,628	\$ 2,009,048,799	\$ 3,190,616	\$ 507,625,104
2004	154,314,669	448,825,878	184,356,511	1,901,864,970	3,361,388	535,689,538
2003	152,257,445	429,160,077	176,362,342	1,801,242,574	2,036,101	550,492,609
2002	150,477,605	410,382,163	161,060,971	1,711,294,924	1,645,512	547,576,550
2001	146,415,799	380,199,481	153,216,444	1,609,241,031	1,422,685	520,470,286
2000	140,385,742	356,611,395	134,913,232	1,503,877,860	1,947,811	459,569,670
1999	137,326,266	331,446,731	132,073,157	1,417,646,379	1,877,179	477,180,497
1998	133,948,794	325,288,117	108,653,450	1,340,267,445	1,801,722	442,506,262
1997	130,132,550	310,782,408	104,594,405	1,252,634,189	2,055,777	425,833,688
1996	126,002,411	293,726,892	102,438,723	1,178,914,612	2,137,522	381,998,188

SOURCE: Calhoun County Equalization

Table 12
COUNTY OF CALHOUN, MICHIGAN
PRINCIPAL TAXPAYERS - UNAUDITED

<u>Taxpayer</u>	<u>Taxable Value</u>
Kellogg Company	\$ 118,391,865
Denso Manufacturing USA, Inc.	75,276,658
Kraft Foods	55,686,341
Consumers Energy	46,188,065
Vector Pipeline LP	19,663,610
Semco Energy Inc.	18,364,168
Hayes - Lemmerz International, Inc.	14,484,419
Edward Rose Realty/Bldg.	13,761,410
Lakeview Delaware	11,848,722
Meijer, Inc.	11,825,430
	<u>\$ 385,490,688</u>

SOURCE: Calhoun County Equalization

Table 13
COUNTY OF CALHOUN, MICHIGAN

MISCELLANEOUS STATISTICS - UNAUDITED

LOCATION AND DESCRIPTION - Calhoun County is located in southern Michigan at the junction of two major interstate freeways - I-94 (east/west) and I-69 (north/south). Encompassing an area of approximately 710 square miles of gently rolling hills, the County has three population areas: the City of Albion in the eastern portion of the County, the City of Marshall in the center and the City of Battle Creek in the northwest corner. The remainder of the County is primarily agricultural. There are 19 townships, four incorporated cities and four villages within the boundaries of the County.

Distances from Marshall, the county seat, to major U.S. cities in the region are as follows:

	<u>Miles</u>	<u>Kilometers</u>
Chicago	170	273
Cleveland	250	402
Detroit	115	185
Indianapolis	200	321

MILES OF COUNTY MAINTAINED ROADS

Primary - 483 miles
Local - 827 miles paved
State Trunkline - 205 miles

HIGHER EDUCATION - Higher education opportunities are available to County residents at the following colleges and universities:

	<u>City</u>	<u>Distance</u>
In County:		
Albion College	Albion	
Kellogg Community College	Battle Creek	
Olivet College	Olivet	
Davenport College	Battle Creek	
Western Michigan Univ.-College of Aviation	Battle Creek	
Western Michigan Univ.-Kendall Center	Battle Creek	
Out of County:		
Jackson Community College	Jackson	30 miles
Kalamazoo Valley Community College	Kalamazoo	30 miles
Lansing Community College	Lansing	40 miles
Michigan State University	East Lansing	40 miles
Spring Arbor College	Jackson	30 miles
Western Michigan University	Kalamazoo	30 miles
University of Michigan	Ann Arbor	70 miles

MAJOR EMPLOYERS:

	<u>Number of Employees</u>
Denso Manufacturing USA, Inc.	2,400
Kellogg Company	1,750
U.S. Department of Defense, Logistics Service Center	1,600
Battle Creek Health Systems	1,422
Battle Creek Public Schools	1,411
U.S. Veterans Administration Hospital	1,315
Kraft Foods Inc.	830
Tokai Rika	750
I.I. Stanley	750
Triple S Plastics	700

Table 14
COUNTY OF CALHOUN, MICHIGAN

SALARIES AND SURETY BONDS OF PRINCIPAL OFFICIALS - UNAUDITED

<u>Name and Title of Official</u>	<u>Annual Salary</u>	<u>Amount of Surety Bond</u>
Ann Rosenbaum-Petredean, County Treasurer	\$ 71,285	\$ 1,000,000
Blaine W. VanSickle, Drain Commissioner	59,826	1,000,000
Allen Byam, Sheriff	85,312	1,000,000
Anne B. Norlander, County Clerk/Register of Deeds	63,236	1,000,000
John A. Hallacy, Prosecuting Attorney	98,570	1,000,000

SOURCE: Calhoun County Board of Commissioner's Resolution

Table 15
COUNTY OF CALHOUN, MICHIGAN
LABOR AGREEMENTS - UNAUDITED

EMPLOYEE GROUP	NUMBER OF EMPLOYEES	EXPIRATION DATE OF CONTRACT
APPA (Assistant Prosecuting Attorney's Association)	16	December 31, 2005
AFSCME (County Middle Management)	6	December 31, 2006
AFSCME (Health Department)	3	December 31, 2005
Circuit Court (Non-Union)/Family Court	22	*
District Court (Non-Union)	19	*
GELC	95	December 31, 2008
IUOE (Health Department)	48	December 31, 2008
MNA (Health Department Nurses)	20	December 31, 2008
POLC (Non-supervisory)	146	December 31, 2006
COAM (Supervisory)	20	December 31, 2006
Probate Court	8	*
UAW - Circuit	79	December 31, 2006
UAW - District	37	December 31, 2006
County (Non-Union)	36	*
Department Heads	8	*
Appointed	9	*

*No contracts for Non-Union, but compensation is in accordance with Board/Courts policy.

Table 16
COUNTY OF CALHOUN, MICHIGAN
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS

Fiscal	Property Value (1)*			Bank
	Year	Commercial	Residential	Deposits (2)*
	2005	\$ 458,372	\$ 2,009,049	\$ 2,467,421
	2004	448,826	1,901,865	2,350,691
	2003	429,160	1,801,243	2,230,403
	2002	410,382	1,711,295	2,121,677
	2001	380,199	1,609,241	1,989,440
	2000	356,611	1,503,878	1,860,489
	1999	331,447	1,417,646	1,749,093
	1998	325,288	1,340,267	1,665,555
	1997	310,782	1,252,634	1,563,416
	1996	293,727	1,178,915	1,472,642

*Amounts expressed in thousands

(1) Estimated actual value from Table 11

(2) Source: Federal Deposit Insurance Corporation